

KIRIN

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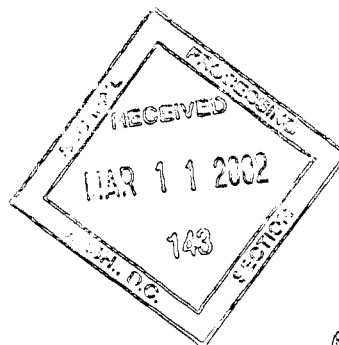
KIRIN BREWERY COMPANY, LIMITED

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Cable Address: KIRINBEER



Feb. 20, 2002

Division of Corporate Finance
Securities and Exchange Commission
500 North Capital Street
Washington D.C. 20549
U. S. A.



PROCESS

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**THOMSON
FINANCIAL**

Dear Sirs:

SUPPL

Enclosed please find our FINANCIAL STATEMENTS and CONSOLIDATED FINANCIAL STATEMENTS.

Thank you for your kind attention to our company. Your further cooperation with us will be appreciated.

Sincerely yours,

dlw 3/19

M. Tanaka

Makoto Tanaka
Deputy Manager
Legal Section
Legal Department

KIRIN BREWERY COMPANY, LIMITED

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2001 (UNAUDITED)

February 20, 2002

(English Translation)

Fiscal year ended December 31, 2001

KIRIN BREWERY COMPANY, LIMITED

10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan

Code No.:

2503

Shares Listed:

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo,

London, Paris, Zurich, Frankfurt

For further information, please contact:

Mr. Sumio Nagata, General Manager,

Communications Dept.

Telephone: 81- 3- 5540- 3450 from overseas

Date of the Board of Directors' Meeting for the annual operation results: February 20, 2002

Whether US GAAP is applied: none

1. Business results and financial positions for the current fiscal year

(January 1, 2001 - December 31, 2001)

[Unit: Japanese yen (¥)]

(1) Results of operations:

(Fractions less than ¥1 million have been omitted.)

| | Sales (¥ millions) | Percentage change (%) | Operating income (¥ millions) | Percentage change (%) | Income before special items (¥ millions) | Percentage change (%) |
|------------------------------|-----------------------|-----------------------------|-------------------------------------|-----------------------------|--|-----------------------------|
| Year ended December 31, 2001 | 1,561,879 | (1.2) | 75,065 | (20.5) | 69,339 | (25.5) |
| Year ended December 31, 2000 | 1,580,825 | 8.9 | 94,397 | 22.2 | 93,080 | 16.6 |

| | Net income (¥ millions) | Percentage change (%) | Net income per share primary (¥) | Net income per share diluted (¥) | Ratio of net income to shareholders' equity (%) | Ratio of ordinary income to total assets (%) | Ratio of ordinary income to sales (%) |
|------------------------------|----------------------------|-----------------------------|---|---|---|--|---|
| Year ended December 31, 2001 | 23,122 | (29.8) | 23.49 | 23.48 | 3.0 | 4.2 | 4.4 |
| Year ended December 31, 2000 | 32,924 | (1.0) | 33.18 | 33.06 | 4.4 | 6.1 | 5.9 |

Notes : ①Equity in earnings of affiliates:

December 31, 2001 ¥ 1,864 million

December 31, 2000 ¥ 614 million

②Average number of shares of common stock outstanding during the year (Consolidated) :

December 31, 2001 984,485 thousands of shares

December 31, 2000 992,347 thousands of shares

③Change in accounting policies: None

④Percentage change is the ratio of increase or decrease in each item of business results for the year ended December 31, 2001, in comparison to these for the prior year.

(2) Financial positions:

| | Total assets (¥ millions) | Shareholders' equity (¥ millions) | Ratio of shareholders' equity to total assets (%) | Shareholders' equity per share (¥) |
|-------------------|------------------------------|---|---|--|
| December 31, 2001 | 1,661,652 | 782,902 | 47.1 | 795.29 |
| December 31, 2000 | 1,627,400 | 768,486 | 47.2 | 780.58 |

Notes :Number of shares of common stock issued and outstanding (Consolidated) :

| | |
|-------------------|-----------------------------|
| December 31, 2001 | 984,417 thousands of shares |
| December 31, 2000 | 984,504 thousands of shares |

(3) Cash flows :

| | Cash flows from operating activities (¥ million) | Cash flows from investing activities (¥ million) | Cash flows from financing activities (¥ million) | Cash and cash equivalents at end of period (¥ million) |
|------------------------------|---|---|---|---|
| Year ended December 31, 2001 | 71,144 | (12,108) | 20,865 | 144,331 |
| Year ended December 31, 2000 | 93,714 | (69,090) | (43,693) | 64,335 |

(4) Scope of consolidation and application of equity method :

| | |
|-----------------------------------|---------------|
| Consolidated subsidiaries: | 261 companies |
| Subsidiaries under equity method: | 1 company |
| Affiliates under equity method: | 15 companies |

(5) Changes in scope of consolidation and application of equity method :

| | | |
|----------------|------------------------|-----------------------|
| Consolidation: | Increase 51 companies, | Decrease 31 companies |
| Equity method: | Increase 1 company, | Decrease 4 companies |

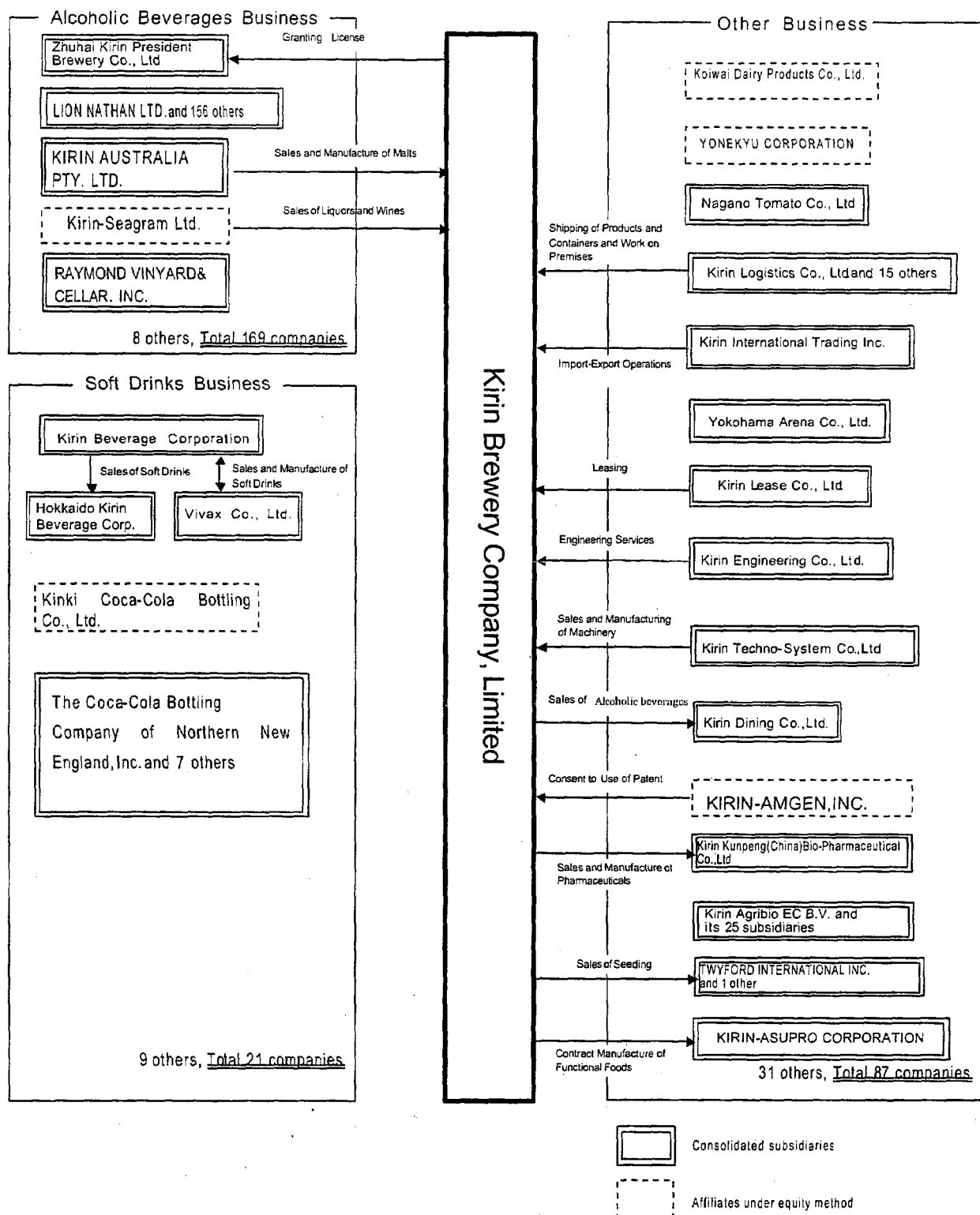
2. Forecast of business results for the next fiscal year (January 1, 2002-December 31, 2002)

| | Sales (¥ million) | Income before special items (¥ million) | Net income (¥ million) |
|-------------------------------|----------------------|---|---------------------------|
| 6 months ending June 30, 2002 | 740,000 | 21,500 | 5,500 |
| Year ending December 31, 2002 | 1,600,000 | 77,000 | 29,000 |

Note: Forecasted net income per share ¥ 29.46

Corporate Group

The Kirin Group consists of Kirin Brewery Co., Ltd. ("the Company"), its 261 consolidated subsidiaries, 1 non-consolidated subsidiary under equity method and 15 affiliates under equity method. The major group companies in the respective business segments are as follows:



Note : Among consolidated subsidiaries, Kirin Beverage Corporation is listed on the First Section of the Tokyo Stock Exchange

Management Policies

1. Basic Kirin Group Management Policies

Based on its philosophy of contributing to the health, happiness and comfort of people around the world, the Kirin Group has established the following five management policies:

(1) Priority on Customers and Quality

Develop original technology to provide products and services of value to customers.

(2) Open and Fair Behavior

Gain the trust of the public by conducting open and fair business activities.

(3) Respect for People

Foster an environment in which employees can work with enthusiasm and exercise their independence and creativity.

(4) Sound Management

Fulfill our responsibilities toward customers, shareholders, society and employees by enhancing our business platform from a long-term, global perspective.

(5) Contribution to Society

Show consideration for the Earth's environment and contribute to the betterment of society.

Based on the above policies, the Kirin Group aims to be a corporate group that creates value to enrich the lives of customers.

2. Fundamental Company Policy on Distribution of Profits

At Kirin, providing appropriate returns on income to shareholders is a top management priority, and the Company has continued to provide dividends every year without fail since its establishment in 1907. In the future as well, while giving due consideration to matters such as strengthening the quality of management and business development, Kirin believes that providing stable dividends is the way to meet shareholders' demands. Retained earnings will be earmarked for investment in businesses for the future.

3. Medium- to Long-term Management Strategy

The KG 21 Action Plan, a medium-term business plan covering the years 2001 to 2003, was announced in September 2000. This plan will serve as the basis for structural reform of the entire Kirin Group, with the aim of creating a solid management foundation. In addition, the domestic alcoholic beverage business, centered around beer and *happo-shu*, will be restructured. Kirin Group companies will work together to continually create the value that customers want, and steps will be taken to strengthen product and marketing capabilities while increasing quality and productivity.

A key management objective is improving EVA* (a performance indicator) in order to strengthen the profit structure. By investing in growth fields and strategically allocating resources to maximize efficiency and efficacy, the Kirin Group aims to achieve its sales targets despite the turbulent market environment and build a solid corporate structure that continues to generate earnings.

**EVA (Economic Value Added) is a registered trademark of Stern Stewart & Co.*

4. Issues for the Kirin Group

The KG 21 Action Plan includes the following specific strategic issues.

(1) Structural Reform of the Kirin Group and Stronger Cooperation among Group Companies Reorganization of Businesses

To promote group management, increase the corporate value of the Kirin Group and boost profitability, Kirin's previous five main business segments and 15 business fields have been restructured into Core Businesses, Core-related Businesses and Diversified Businesses.

Reform of Corporate Structure

Based on the new arrangement of businesses, starting in January 2001, the structure of the Company will be reorganized into

a holding company, business companies and internal business units called "companies." Kirin Brewery will operate both as a business company managing the domestic beer and *happo-shu* business and as a holding company overseeing each business and strengthening group operations.

Reform of Corporate Management

In January 2001, EVA* was adopted throughout the Kirin Group as a new performance indicator to evaluate the results and progress of each business company and internal company.

**EVA (Economic Value Added) is a registered trademark of Stern Stewart & Co.*

(2) Increasing Corporate Value by Strengthening Profitability, with Core Businesses as the Nucleus

Shift to a Comprehensive Alcoholic Beverage Company Centered on the Beer and *Happo-shu* Business

To bolster the foundation of the domestic beer and *happo-shu* business as the nucleus of the company, we will strengthen brand power, placing emphasis on core brands, to rebuild a strong family of brands. Kirin also aims to secure a solid position in the *chu-hi* market, which we entered in earnest in July 2001. As a comprehensive alcoholic beverage manufacturer, Kirin will strive to the greatest extent possible to provide customers with the value they demand from their alcoholic beverages.

Structural Reforms to Strengthen Group Competitiveness

In marketing divisions, Kirin will work to strengthen sales capabilities by rebuilding a customer-oriented marketing structure that can adapt to changes in the business environment. In production divisions, new product development will be accelerated and more advanced technology introduced to support Kirin's shift to a comprehensive alcoholic beverage company. At the same time, we will promote the creation of a highly efficient production system. In distribution divisions, structural reforms will be carried out for administrative operations.

Develop Diversified Businesses Centered on the Pharmaceutical Business

In the pharmaceutical business, Kirin will further strengthen its domestic sales system. To enhance the product pipeline, we will concentrate resources in research, speed up development, and introduce new drug candidates through in-licensing. We will also take steps to strengthen the business platforms of the agribio and nutrient food & feed businesses.

(3) Coexistence with Society

With society expected to place increasing demands on the companies in the future to earn the public trust, the Kirin Group will meet its social responsibility by conducting business activities in conformity with compliance measures. Kirin will also continue reinforcing environmental management and conducting educational activities to promote responsible drinking.

Results of Operations

1. Review of Operations

The Japanese economy slipped further into recession during 2001 as corporate profits deteriorated and the employment picture worsened amid continued stagnation in consumer spending.

In the beer and *happo-shu* market, against the backdrop of a prolonged economic slump and diversification of consumer preferences, demand for *happo-shu* continued to expand strongly, while demand for beer declined, resulting in total demand that was nearly level with the prior year. In the market for spirits and wines, weakness in the beverage market due to the recession led to a considerable year-on-year decline in total demand for whisky and wine. Meanwhile, demand for low-alcohol beverages such as *chu-hi* continued to exhibit robust growth. The soft drink market was also affected by the prolonged slump in consumer spending, which limited growth to a slight increase over the previous year. In the pharmaceutical industry, sales in the domestic market were lackluster.

Under these conditions, the Kirin Group worked to realize its goal of being a corporate group that uses its businesses, centered on the alcoholic beverage business, to consistently create the value its customers demand. These efforts were based on the policies of the KG 21 Action Plan, the three-year management plan started in 2001.

Although the soft drink and pharmaceutical businesses posted sales gains over the previous year, sales of beer and *happo-shu* declined, leading to consolidated net sales of ¥1,561.8 billion, a year-on-year decrease of 1.2 percent. This decline in revenues, in addition to higher expenses and other factors, led to consolidated income before extraordinary items of ¥69.3 billion, a year-on-year decrease of 25.5 percent, and consolidated net income of ¥23.1 billion, a year-on-year decrease of 29.8 percent.

The year-end dividend of ¥6 per share, combined with the interim dividend of ¥6 per share, brought total cash dividends for the year to ¥12 per share.

Alcoholic Beverage Business

The qualities that customers want in alcoholic beverages are becoming more and more diverse. In response, Kirin has initiated concrete measures as a comprehensive alcoholic beverage company, including the integration of sales divisions with Kirin-Seagram Ltd. to expand and strengthen sales of spirits and wines, and full-scale entry into the growing *chu-hi* market.

In the beer and *happo-shu* business, Kirin has worked to update the *Kirin Lager* brand, while taking care to maintain its value as a genuine lager. In addition, *Classic Lager*, a new product aimed at broadening the appeal of lager, was initially introduced on a limited basis in selected regions. Based on its strong popularity among customers as an authentic beer, sales were expanded nationwide in September. For *Ichiban Shibori*, the popular advertising campaign featuring seasonal foods was continued, and Kirin reinforced sales of kegged beer, which continued to grow. The *Tanrei* brand was further reinforced with a refinement of *Tanrei*'s flavor as well as new packaging. As a result, *Tanrei* surpassed the results of the previous year and maintained its top share in the *happo-shu* market, where competition has grown tighter with the entry of new products from other companies. *Kirin Tokonatsu* and *Shiro Kirin*, which were newly introduced as seasonal *happo-shu* products, also gained solid support from customers.

In the overseas beer business, Lion Nathan Limited, a Kirin Group company based in Australia, continued to generate strong results. Additionally, in December, Kirin agreed to acquire an equity stake of approximately 15 percent in San Miguel Corporation, which is the largest beer company in the Philippines and has extensive business operations in Asia. These and other measures reinforced Kirin's business foundation in overseas markets, primarily in Asia and Oceania.

Kirin Chu-hi Hyoketsu Kaju, developed by combining the technological and product development strengths of the Kirin Group, won popularity among customers for its refreshing flavor that comes from real fruit juice, as well as its innovative package design. It became a hit product, with sales dramatically exceeding original projections.

In the spirits and wines business, Kirin implemented measures to expand sales of *Chivas Regal* and *Two Dogs*, with a focus on the mass-merchandise and restaurant markets. Furthermore, Kirin acquired the global business of the *Four Roses* brand from Diageo of the U.K. and Pernod Ricard of France, and established the infrastructure to carry out consistent marketing strategies.

In sales initiatives, Kirin worked to upgrade and raise the efficiency of its activities by proposing comprehensive sales promotion measures that make the most of the Kirin Group product lineup, exploiting information as a sales tool through the use of mobile terminals, and introducing satellite offices. Moreover, in a fast-changing business environment, Kirin restructured its sales organization in October to establish a structure that is closer to customers.

In the area of production, Kirin has focused on increasing productivity. In 2001, the expansion of the Tochigi Brewery was completed and renewal construction moved forward at the Toride Brewery and Okayama Brewery. In logistics, a group distribution section in charge of total planning for the logistics of Kirin Group companies was established at the head office, and began operations with the objective of raising distribution efficiency for the Kirin Group as a whole.

As a result of the above measures, sales in the alcoholic beverage business totaled ¥1,078.0 billion, a year-on-year decrease of 3.0 percent.

Soft Drink Business

Kirin Beverage Corporation, which operates Kirin's soft drink business, carried out aggressive marketing activities, which included implementing campaigns designed to boost the product lineup and topicality of key brands such as *Gogono-kocha*, *Fire* and *Namacha*. Specifically, *Namacha* continued to post strong sales gains, while newtea product *Kikicha* also became a hit. The *Fire* brand was bolstered with measures such as the launch of a new product, *Super Fire Stone Wash*. In sales, besides organizational realignment and the start of restructuring of the branch office organization, vending machine operations in the Kinki region were transferred to Kinki Vending Services, a wholly owned subsidiary, following a similar move in the Tokyo region, to increase the efficiency of the vending machine business.

In the areas of production and quality, Kirin focused on reducing costs, while reinforcing the company-wide quality assurance system. The head office of Kirin Beverage, as well as the Shonan and Maizuru factories, received ISO 9001:2000 certification for quality management.

As a result of the above, sales in the soft drink business totaled ¥332.9 billion, a year-on-year increase of 4.7 percent.

Other Businesses

In the pharmaceutical business, Kirin aggressively implemented its own marketing in Japan of *ESPO*, a genetically engineered hormone that regulates red blood cell production, and *GRAN*, an agent that stimulates white blood cell production. Additionally, in June 2001, Kirin began marketing *Rocaltrol*, a treatment for secondary hyperparathyroidism, exclusively in Japan. Kirin also submitted an application for manufacturing approval for PB-94, a hyperphosphatemia treatment developed jointly with Chugai Pharmaceutical Co., Ltd. In overseas markets, joint venture Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. put its factory into full-scale operation and began filling of *ESPO* and *GRAN*. In research and development, Kirin achieved steady progress, including forming tie-ups with Genzyme Corporation and Corixa Corporation of the United States in the field of human antibody drugs and beginning full-scale development in Japan in the field of cell therapy.

In the agribio business, Kirin deployed *Kokochi Kaika* as a unified brand in the flower business to carry out active sales promotions. In November, Kirin Green and Flower Co., Ltd. was established to handle sales of plant seeds and seedlings, flower seeds and seedlings, and potted flowers. These and other measures strengthened marketing in the domestic flower business. In the potato business, in July, Kirin acquired a 71 percent stake in the French company Germicopa SA, the world's fourth-largest potato breeding and sales company, with the objective of introducing new varieties.

In the nutrient food & feed business, Kirin implemented renewals of main products in the health food category, and took steps to improve product quality in the field of aquaculture feed. In the seasonings business segment, Kirin reached a basic agreement with Takeda Chemical Industries, Ltd., on the establishment of a joint venture, Takeda Kirin Foods Corporation.

Total net sales of other businesses in 2001 were ¥150.9 billion, a year-on-year decrease of 0.0 percent.

2. Outlook for the Next Fiscal Year

As customer needs further diversify, the erosion of borders between different alcoholic beverage categories is expected to accelerate. In such a business environment, the Kirin Group, guided by the KG 21 Action Plan, will focus on bolstering collaboration among Group companies and implementing measures to increase its value by strengthening profitability as a corporate group centered on its comprehensive alcoholic beverage business. In carrying out these efforts, Kirin will return to its fundamental emphasis on customers and quality. Conducting corporate activities from the viewpoint of customers will enable the Kirin Group to win their support and confidence.

In the alcoholic beverage business, Kirin will promote further collaboration among Group companies and actively generate new product ideas to meet customer needs in the market for low-alcohol beverages, including beer, *happo-shu* and *chu-hi*. Other efforts will include strengthening main brands *Kirin Lager*, *Ichiban Shibori* and *Tanrei*, as well as bolstering sales of *Classic Lager*, primarily targeting the restaurant market. In the *happo-shu* segment, where further growth is projected, new products such as *Kirin Gokunama* and *Tanrei Green Label* will be introduced to enhance the product lineup.

In its overseas beer business, Kirin will continue to promote profit-oriented business strategies, with a regional focus on Asia and Oceania, and will work aggressively to solidify its business infrastructure by seeking out new bases of operation.

Kirin will also expand and strengthen the production network for *Kirin Chu-Hi Hyoketsu Kaju*, and will add a new flavor besides the popular lemon and grapefruit flavors to maintain the preference of customers. In the spirits and wines segment, measures will include boosting the proposal capabilities of sales divisions and expanding business by concentrating on main products.

In the soft drink business, Kirin will continue to expand its product lineup by adding new products such as *Nihon Genmaicha* and *Rakuda*, which will complement key brands *Gogono-kocha*, *Fire*, *Namacha* and *Kikicha*. Other efforts will include promoting rational, efficient business operations, primarily through expansion of production facilities and reform of the distribution system, to create an operating structure that can secure steady profits.

In other businesses, for the pharmaceutical business, Kirin will work to enhance its drug development pipeline, further increase the efficiency of pharmaceutical development and manufacturing, and strengthen sales both in Japan and overseas. In the agribio business, the Company will focus on shoring up its product lineup. In the nutrient food & feed business, a key focus will be establishing a firm business foundation, particularly in the seasonings business.

Kirin will also carry out environmental initiatives such as reducing emissions of greenhouse gases, and will continue its support for sports and culture. Through these activities, Kirin will meet its responsibility as a corporate citizen.

The Kirin Group is positioning 2002 as the year it gets back on track, with the aim of making a significant leap forward. Accordingly, top priority will be placed on bolstering Kirin's competitiveness in the domestic alcoholic beverage market. While focusing on its core businesses of alcoholic beverages, soft drinks and food, Kirin will also vigorously develop diversified businesses such as the pharmaceutical, agribio and nutrient food & feed businesses, in order to become a leading company in the fields of food and science, based in Asia and Oceania.

For the year ending December 31, 2002, Kirin projects consolidated net sales of ¥1,600.0 billion (a year-on-year increase of 2.4 percent), consolidated income before extraordinary items of ¥77.0 billion (a year-on-year increase of 11.0 percent), and consolidated net income of ¥29.0 billion (a year-on-year increase of 25.4 percent).

Cash dividends for 2002 are expected to total ¥12 per share, consisting of interim and year-end dividends of ¥6 per share each. Retained earnings will be allocated toward investment in production facilities and other business investments.

CONSOLIDATED BALANCE SHEETS

(¥ millions)

| ASSETS | (Note) | At December 31, 2001 | Percentage over total assets | At December 31, 2000 | Percentage over total assets | Increase (Decrease) |
|---|--------|-------------------------|------------------------------------|-------------------------|------------------------------------|------------------------|
| | | Amount | | Amount | | Amount |
| Current Assets | | | | | | |
| Cash | | 143,525 | | 50,579 | | 92,946 |
| Funds in trust | | — | | 36,909 | | (36,909) |
| Notes and accounts receivable | (*3) | 256,254 | | 241,072 | | 15,182 |
| Marketable securities | | 12,272 | | 136,132 | | (123,860) |
| Inventories | (*3) | 65,731 | | 62,751 | | 2,980 |
| Deferred income taxes | | 17,188 | | 12,484 | | 4,704 |
| Funds in trust | | 17,411 | | — | | 17,411 |
| Other | | 42,673 | | 45,555 | | (2,882) |
| Allowance for doubtful accounts | | (2,087) | | (1,886) | | (201) |
| Total current assets | | 552,969 | 33.3 | 583,600 | 35.9 | (30,631) |
| Fixed Assets | | | | | | |
| Property, Plant and Equipment | (*1) | | | | | |
| Buildings and structures | (*3) | 187,361 | | 193,133 | | (5,772) |
| Machinery, equipment and vehicles | (*3) | 178,783 | | 155,450 | | 23,333 |
| Land | (*3) | 156,269 | | 162,570 | | (6,301) |
| Construction in progress | | 22,636 | | 38,772 | | (16,136) |
| Other | (*3) | 52,528 | | 55,211 | | (2,683) |
| Total | | 597,578 | 36.0 | 605,138 | 37.2 | (7,560) |
| Intangible Fixed Assets | | | | | | |
| Goodwill | | 21,199 | | 20,080 | | 1,119 |
| Consolidation differences | | 45,700 | | 48,558 | | (2,858) |
| Other | | 58,475 | | 61,293 | | (2,818) |
| Total | | 125,376 | 7.5 | 129,933 | 8.0 | (4,557) |
| Investments and Other Assets | | | | | | |
| Investments in securities | (*2,3) | 263,060 | | 141,911 | | 121,149 |
| Long term loans | | 5,150 | | 4,905 | | 245 |
| Life insurance investments | | 33,792 | | 32,634 | | 1,158 |
| Deferred income taxes | | 45,191 | | 50,782 | | (5,591) |
| Deferred income taxes due to revaluation for land | (*5) | 1,995 | | — | | 1,995 |
| Other | (*2) | 39,567 | | 40,791 | | (1,224) |
| Allowance for doubtful accounts | | (3,029) | | (834) | | (2,195) |
| Total | | 385,728 | 23.2 | 270,191 | 16.5 | 115,537 |
| Total fixed assets | | 1,108,683 | 66.7 | 1,005,263 | 61.7 | 103,420 |
| Foreign Currency Translation Adjustments | | — | | 38,537 | 2.4 | (38,537) |
| TOTAL ASSETS | | 1,661,652 | 100.0 | 1,627,400 | 100.0 | 34,252 |

| | | | | | | (¥ millions) |
|--|--------|-----------------------------|------------------------------------|-----------------------------|------------------------------------|------------------------|
| LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY | (Note) | At | Percentage over total assets | At | Percentage over total assets | Increase (Decrease) |
| | | December 31, 2001 Amount | | December 31, 2000 Amount | | Amount |
| Current Liabilities | | | | | | |
| Notes and accounts payable | | 105,084 | | 99,932 | | 5,152 |
| Short-term bank loans | (*3) | 26,133 | | 24,708 | | 1,425 |
| Beer taxes payable | | 119,315 | | 122,721 | | (3,406) |
| Income taxes payable | | 19,280 | | 17,100 | | 2,180 |
| Accrued expenses | | 57,243 | | 67,154 | | (9,911) |
| Deposits received | | 64,406 | | 67,564 | | (3,158) |
| Other | | 50,177 | | 51,850 | | (1,673) |
| Total current liabilities | | 441,641 | 26.6 | 451,032 | 27.7 | (9,391) |
| Long-term Liabilities | | | | | | |
| Bonds | | 87,400 | | 27,612 | | 59,788 |
| Long-term debt | (*3) | 74,511 | | 92,370 | | (17,859) |
| Retirement and severance benefits | | — | | 87,643 | | (87,643) |
| Pension and retirement benefits | | 100,060 | | — | | 100,060 |
| Retirement benefits for directors and corporate auditors | | 2,022 | | 1,702 | | 320 |
| Reserve for repair and maintenance of vending machines | | 5,520 | | 4,652 | | 868 |
| Reserve for loss on non-consolidated subsidiaries, affiliates and other investments | | — | | 516 | | (516) |
| Deposits received | (*3) | 84,241 | | 94,220 | | (9,979) |
| Other | | 20,178 | | 21,639 | | (1,461) |
| Total long-term liabilities | | 373,934 | 22.5 | 330,357 | 20.3 | 43,577 |
| TOTAL LIABILITIES | | 815,576 | 49.1 | 781,390 | 48.0 | 34,186 |
| MINORITY INTERESTS | | 63,174 | 3.8 | 77,524 | 4.8 | (14,350) |
| Common Stock | | 102,045 | 6.1 | 102,045 | 6.3 | — |
| Additional Paid-In Capital | | 70,868 | 4.3 | 70,868 | 4.4 | — |
| Revaluation variance for Land | (*5) | (1,625) | (0.1) | — | | (1,625) |
| Retained Earnings | | 608,603 | 36.6 | 595,575 | 36.5 | 13,028 |
| Net unrealized holding gains on securities | | 19,331 | 1.2 | — | | 19,331 |
| Foreign currency translation adjustments | | (16,235) | (1.0) | — | | (16,235) |
| Total | | 782,988 | 47.1 | 768,490 | 47.2 | 14,498 |
| Treasury Stock | | (86) | (0.0) | (3) | (0.0) | (83) |
| TOTAL SHAREHOLDERS' EQUITY | | 782,902 | 47.1 | 768,486 | 47.2 | 14,416 |
| TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY | | 1,661,652 | 100.0 | 1,627,400 | 100.0 | 34,252 |

CONSOLIDATED STATEMENTS OF INCOME

(¥ millions)

| | | Year ended December 31, 2001 | | Year ended December 31, 2000 | | Increase (Decrease) |
|---|--------|---------------------------------|--------------------------|---------------------------------|--------------------------|------------------------|
| | (Note) | Amount | Percentage over sales | Amount | Percentage over sales | Amount |
| Sales | | 1,561,879 | 100.0 | 1,580,825 | 100.0 | (18,946) |
| Cost of Sales | | 999,907 | 64.0 | 1,021,001 | 64.6 | (21,094) |
| Gross Profit | | 561,972 | 36.0 | 559,823 | 35.4 | 2,149 |
| Selling, General and Administrative Expenses | (*1,2) | 486,907 | 31.2 | 465,425 | 29.4 | 21,482 |
| Operating Income | | 75,065 | 4.8 | 94,397 | 6.0 | (19,332) |
| Non-operating Income | | | | | | |
| Interest income | | 1,675 | | 4,198 | | (2,523) |
| Return on funds in trust | | 558 | | — | | 558 |
| Dividend income | | 1,864 | | 2,695 | | (831) |
| Equity in earnings of affiliates | | 1,864 | | 614 | | 1,250 |
| Reversal of loss from valuation of marketable securities | | — | | 2,968 | | (2,968) |
| Other | | 5,718 | | 5,256 | | 462 |
| Total | | 11,681 | 0.7 | 15,733 | 1.0 | (4,052) |
| Non-operating Expenses | | | | | | |
| Interest expense | | 9,733 | | 8,722 | | 1,011 |
| Other | | 7,673 | | 8,328 | | (655) |
| Total | | 17,407 | 1.1 | 17,051 | 1.1 | 356 |
| Income before special items and income taxes | | 69,339 | 4.4 | 93,080 | 5.9 | (23,741) |
| Special Income | | | | | | |
| Gain on sales of fixed assets | (*3) | 2,981 | | 9,234 | | (6,253) |
| Reversal of provision for doubtful accounts | | — | | 283 | | (283) |
| Gain on sales of marketable securities | | 9,959 | | — | | 9,959 |
| Gain on establishment of trust for employees' pension and retirement benefit | | 4,599 | | — | | 4,599 |
| Gain on sales of affiliates | | 6,387 | | — | | 6,387 |
| Total | | 23,928 | 1.5 | 9,518 | 0.6 | 14,410 |
| Special Expenses | | | | | | |
| Loss on disposal of fixed assets | (*4) | 4,998 | | 6,727 | | (1,729) |
| Loss on sales of fixed assets | (*5) | 759 | | 498 | | 261 |
| Plant restructuring cost | | — | | 15,322 | | (15,322) |
| Business restructuring cost | | — | | 1,274 | | (1,274) |
| Loss on disposal of affiliates | | 991 | | 485 | | 506 |
| Write-down of fixed assets of foreign subsidiaries and affiliates | (*6) | 3,708 | | 7,044 | | (3,336) |
| Loss on revaluation of marketable securities | | 3,283 | | — | | 3,283 |
| Loss on sales of marketable securities | | 1,299 | | — | | 1,299 |
| Loss on revaluation of golf club membership | (*7) | 2,257 | | — | | 2,257 |
| Amortization of net transition obligation of accounting standard for employees' severance and retirement benefits | | 18,835 | | — | | 18,835 |
| Total | | 36,133 | 2.3 | 31,353 | 2.0 | 4,780 |
| Income before income taxes and minority interests | | 57,134 | 3.7 | 71,245 | 4.5 | (14,111) |
| Income Taxes (Current) | | 40,207 | 2.6 | 39,399 | 2.5 | 808 |
| Income Taxes (Deferred) | | (10,705) | (0.7) | (2,586) | (0.2) | (8,119) |
| Minority Interests | | 4,509 | 0.3 | 1,509 | 0.1 | 3,000 |
| Net Income | | 23,122 | 1.5 | 32,924 | 2.1 | (9,802) |

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 | Increase (Decrease) |
|--|---------------------------------|---------------------------------|------------------------|
| Retained earnings at beginning of period | | | |
| Retained earnings at beginning of period | 595,575 | 553,044 | 42,531 |
| Cumulative effect of change in accounting for income taxes | — | 56,287 | (56,287) |
| Total | 595,575 | 609,332 | (13,757) |
| Increase in retained earnings | | | |
| Increase resulting from newly consolidated subsidiaries | — | 9,927 | (9,927) |
| Increase resulting from new affiliates under equity method | 4 | 3,590 | (3,586) |
| Foreign currency translation adjustment of foreign subsidiaries and affiliates | 1,291 | — | 1,291 |
| Increase resulting from merger | — | 179 | (179) |
| Increase in retained earnings of an equity method affiliate due to increase of consolidation scope | 706 | — | 706 |
| Total | 2,003 | 13,697 | (11,694) |
| Decrease in retained earnings | | | |
| Cash dividends paid | 11,814 | 11,949 | (135) |
| Bonuses paid to directors and corporate auditors | 283 | 314 | (31) |
| (corporate auditors' portion included above) | 28 | 27 | 1) |
| Purchase and retirement of common stocks | — | 24,387 | (24,387) |
| Decrease resulting from newly consolidated subsidiaries | — | 21,461 | (21,461) |
| Decrease resulting from new affiliates under equity method | — | 298 | (298) |
| Decrease due to revaluation of property, plant and equipment of foreign subsidiaries and affiliates | — | 1,077 | (1,077) |
| Foreign currency translation adjustments of foreign subsidiaries and affiliates | — | 211 | (211) |
| Decrease resulting from change in interest in consolidated subsidiaries | — | 676 | (676) |
| Total | 12,097 | 60,377 | (48,280) |
| Net income | 23,122 | 32,924 | (9,802) |
| Retained earnings at end of period | 608,603 | 595,575 | 13,028 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 | Increase (Decrease) |
|---|---------------------------------|---------------------------------|------------------------|
| Cash flows from operating activities | | | |
| Income before income taxes and minority interests | 57,134 | 71,245 | (14,111) |
| Depreciation | 73,588 | 72,051 | 1,537 |
| Amortization of consolidation difference | 2,875 | 3,281 | (406) |
| Increase (decrease) in pension and retirement benefits | 14,870 | — | 14,870 |
| Interest and dividend income and return on funds in trust | (4,098) | (6,894) | 2,796 |
| Reversal of write-down of marketable securities | — | (2,968) | 2,968 |
| Interest expense | 9,733 | 8,722 | 1,011 |
| Gain on sales of fixed assets | (2,981) | (9,234) | 6,253 |
| Gain on sales of marketable securities and investments in securities | (10,024) | — | (10,024) |
| Gain on establishment of trust for employees' pension and retirement benefit | (4,599) | — | (4,599) |
| Gain on sales of affiliates | (6,387) | — | (6,387) |
| Loss on disposal or sales of fixed assets | 5,757 | 7,226 | (1,469) |
| Plant restructuring cost | — | 15,322 | (15,322) |
| Business restructuring cost | — | 1,274 | (1,274) |
| Write-down of fixed assets of foreign subsidiaries and affiliates | 3,708 | 7,044 | (3,336) |
| Write-down of marketable securities | 3,283 | — | 3,283 |
| Decrease (increase) in notes and accounts receivable | (13,945) | (4,979) | (8,966) |
| Decrease (increase) in inventories | (1,762) | 827 | (2,589) |
| Increase (decrease) in notes and accounts payable | 3,249 | 8,775 | (5,526) |
| Increase (decrease) in beer taxes payable | (4,359) | (12,837) | 8,478 |
| Increase (decrease) in deposits received | (9,662) | — | (9,662) |
| Other | (2,356) | (15,963) | 13,607 |
| Sub-total | 114,022 | 142,895 | (28,873) |
| Interest, dividend and return on funds in trust received | 5,013 | 7,788 | (2,775) |
| Interest paid | (9,660) | (9,037) | (623) |
| Early retirement benefit paid | — | (5,250) | 5,250 |
| Income taxes paid | (38,230) | (42,681) | 4,451 |
| Net cash provided by operating activities | 71,144 | 93,714 | (22,570) |
| Cash flows from investing activities | | | |
| Payments for purchases of property, plant, equipment and intangible fixed assets | (71,449) | (93,899) | 22,450 |
| Proceeds from sales of property, plant and equipment | 4,297 | 8,493 | (4,196) |
| Payments for purchases of marketable securities | — | (1,536) | 1,536 |
| Payments for purchases of marketable securities and investment securities | (9,183) | — | (9,183) |
| Proceeds from sales and redemption of marketable securities | — | 12,557 | (12,557) |
| Proceeds from sales and redemption of marketable securities and investment securities | 30,548 | — | 30,548 |
| Payments for purchases of investment securities | — | (10,953) | 10,953 |
| Proceeds from termination of funds in trust | 20,000 | — | 20,000 |
| Proceeds from termination of life insurance investment | 533 | 20,008 | (19,475) |
| Payments for investments in subsidiaries' common stock | — | (2,486) | 2,486 |
| Payments for investments in consolidated subsidiaries' common stock | (19,215) | (4,000) | (15,215) |
| Proceeds from sale of consolidated subsidiaries' common stock | 37,086 | — | 37,086 |
| Other | (4,725) | 2,726 | (7,451) |
| Net cash used in investing activities | (12,108) | (69,090) | 56,982 |
| Cash flows from financing activities | | | |
| Decrease in short-term bank loans | (5,225) | — | (5,225) |
| Proceeds from long-term debt | 18,435 | 36,176 | (17,741) |
| Repayments of long-term debt | (36,151) | (43,966) | 7,815 |
| Proceeds from issue of bonds | 69,900 | 17,656 | 52,244 |
| Payment for redemption of bonds | (10,602) | (11,309) | 707 |
| Payments for purchases of treasury stock | (82) | (24,373) | 24,291 |
| Payments for purchases of treasury stock by consolidated subsidiaries | — | (2,706) | 2,706 |
| Cash dividends paid | (11,814) | (11,949) | 135 |
| Cash dividends paid to minority shareholders | (3,489) | (3,228) | (261) |
| Other | (104) | 6 | (110) |
| Net cash used in financing activities | 20,865 | (43,693) | 64,558 |
| Effect of exchange rate fluctuation on cash and cash equivalents | 93 | 691 | (598) |
| Net increase (decrease) in cash and cash equivalents | 79,995 | (18,378) | 98,373 |
| Cash and cash equivalents at beginning of period | 64,335 | 65,191 | (856) |
| Cash and cash equivalents of newly consolidated subsidiaries at beginning of period | — | 17,522 | (17,522) |
| Cash and cash equivalents at end of period | 144,331 | 64,335 | 79,996 |

SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATION

The following is the table of scope of consolidation and application of equity method.

| Classification | Number of companies |
|---|---------------------|
| Consolidated subsidiaries (Note 1) | 261 |
| Unconsolidated subsidiaries applied by equity method (Note 2) | 1 |
| Affiliated companies applied by equity method (Note 3) | 15 |

(Consolidation)

Note 1:

- (1). The names of main consolidated subsidiaries are KIRIN BEVERAGE CORPORATION and LION NATHAN LTD..
- (2). The changes of the scope of consolidation are as follows:
 - (a) Due to acquisition of additional shares, 35 companies including Nihon Fine Foods Co., Ltd. became consolidated subsidiaries.
 - (b) Due to establishment or new acquisition, 16 companies including Kirin Green & Flower Co., Ltd. became consolidated subsidiaries.
 - (c) Due to merger among subsidiaries of a consolidated subsidiary, 3 companies including a subsidiary of Kirin Logistics Co., Ltd. are excluded from consolidation scope.
 - (d) Due to sales of shares, 25 companies including subsidiaries of Kirin Agribio EC B.V. are excluded from consolidation scope.
 - (e) Due to completion of liquidation, 3 companies are excluded from consolidation scope.
- (3). Unconsolidated subsidiaries including KIRIN AGRIBIO USA, INC. are excluded from the consolidation scope because the effect of their net sales and net income or losses for the current fiscal year, and total assets and retained earnings as of December 31, 2001 on the consolidated financial statements are immaterial.
- (4). The following are the names of consolidated subsidiaries whose accounting period ends are different from that of the Company.

| Name of subsidiary | Accounting period |
|---------------------------------------|------------------------|
| LION NATHAN LTD. and its subsidiaries | September 30, 2001 (*) |
| TWYFORD INTERNATIONAL INC. | September 30, 2001 (*) |
| Twyford laboratorio de plantas S.A. | September 30, 2001 (*) |
| Kirin-Asupro Co., Ltd. | November 30, 2001 (*) |
| Nihon Fine Foods Co., Ltd. | November 30, 2001 (*) |
| JAPAN POTATO CORPORATION | June 30, 2001 (**) |

(*) In order to consolidate those financial statements into the Company's financial statements, firstly adjustments are made for significant inter-company transactions occurred between their accounting period ends and the Company's and then their adjusted financial statements are used for the consolidation.

(**) The company' adjusted financial statements as of December 31, 2001 and for the year then ended are used for the purpose of consolidation.

(Equity Method)

Note 2:

The unconsolidated subsidiary applied by equity method is SHANGHAI JINJIANG KIRIN BEVERAGE & FOOD CO., LTD.

Note 3:

- (1). The names of main affiliated companies under the equity method are KIRIN-SEAGRAM LTD, KINKI COCA-COLA BOTTLING CO., LTD and YONEKYU CORPORATION.
- (2). The change of the scope of application of equity method:
 - (a) Due to an acquisition of additional shares, Kirin-Asupro Sales Corporation became an equity method affiliate.
 - (b) Due to additional acquisition of shares and therefore becoming a consolidated subsidiary, 3 companies including Nihon Fine Foods Co., Ltd..
 - (c) Due to sale of the shares, affiliates of Kirin Techno-System is no longer applied by the equity method.
- (3). Investments in unconsolidated subsidiaries including KIRIN AGRIBIO USA, INC. not accounted for by the equity method and affiliated companies including Diamond Sports Club Co., Ltd. not accounted for by the equity method, are stated at cost because the effect of their net income or losses for the current fiscal year and retained earnings as of December 31, 2001 on the consolidated financial statements are immaterial.
- (4). Where accounting periods of the affiliated companies under the equity method are different from that of the Company, the Company used their financial statements for the current period without any adjustments for equity calculation purposes. Where the difference is more than 6 months, the Company used their latest interim financial statements.

1. Valuation of securities

Debt securities intended to be held to maturity are valued by amortized cost method

Available-for-sale securities with available fair market values are stated at fair market value with unrealized gains and unrealized losses on these securities reported, net of applicable income taxes, as a separate component of shareholder's equity. Realized gains and losses on sale of available-for-sale securities are computed using moving-average cost.

Other securities with no available fair market value are stated at moving-average cost.

2. Valuation of Inventories

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the average method.

Raw materials and supplies are mainly stated at cost determined by the moving average method.

Construction in process is stated at cost determined by the specific identification method.

3. Funds in trust

Fair value

4. Derivative financial instruments

Fair value

5. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated on the declining balance method, except for buildings (excluding buildings fixtures) acquired on and after April 1, 1998, where depreciation is calculated on the straight-line method. Leased assets are depreciated over each lease term based on the straight-line method with the estimated residual value at the end of the lease term. Consolidated foreign subsidiaries adopt the straight-line method.

6. Amortization of intangible fixed assets

The straight-line method

7. Allowance for doubtful accounts

The Company and its consolidated domestic subsidiaries provide sufficient allowance for doubtful accounts to cover possible losses on collection by estimating uncollectible amounts for individual accounts.

8. Pension and retirement benefits

The Company and consolidated subsidiaries provide allowance for employees' pension and retirement benefits at December 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the date. The estimated net transition obligation for the year ended December 31, 2001 of ¥18,835million, is recognized as special expense for the current year.

Actuarial differences are amortized by the straight-line method over the average estimated service period, which is 15 years, beginning from the next fiscal year.

9. Retirement benefits for directors and corporate auditors

Provision for retirement benefits for directors and corporate auditors represents 100% of such retirement benefit obligations calculated in accordance with policies of the Company and subsidiaries.

10. Reserve for repair and maintenance of vending machines

KIRIN BEVERAGE CORPORATION and its consolidated subsidiaries provide for repair and maintenance cost of vending machines, by estimating the necessary repair and maintenance cost in the future and then allocating the costs over 5 year period. The actual expenditure is deducted in the balance of the reserve on the balance sheet.

11. Leases

Finance leases, except for those leases which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

Consolidated foreign subsidiaries mainly capitalize finance leases.

12. Hedge accounting

Where certain hedging criteria are met, the Company defers the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses or gains on the hedging items are recognized.

For forward foreign exchange contracts used for hedging purposes, the foreign currency receivables or payables are recorded at the contracted forward rates. In addition, for interest rate swap contracts meeting hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added or to be deducted from the interest on the assets or liabilities.

The Company and its subsidiaries use forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies' products and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

The following summarizes hedging derivative financial instruments used by the Company and its subsidiaries and items hedged:

| Hedging items | Hedging instruments |
|---|--|
| Foreign currency trade receivables and trade payables | Foreign currency forward and swap contracts etc. |
| Loans receivable and payable | Interest rate swap contracts etc. |
| Commodity price | Commodity swap contracts etc. |

The Company and its subsidiaries evaluate the effectiveness of hedge semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

13. Consumption tax

Consumption tax is excluded from the accounts which are subject to such tax.

14. Valuation of the assets and liabilities of consolidated subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the respective subsidiaries were initially consolidated.

15. Consolidation differences

Differences between the cost and the underlying net equity of investments in consolidated subsidiaries and affiliates which are accounted for by the equity method is amortized using the straight-line method from 15 to 20 years. Where the difference is small, it is amortized when incurred.

16. Appropriation of retained earnings

The appropriation of retained earnings of the consolidated subsidiaries is based upon the appropriation resolved at the subsidiaries during the current fiscal year.

17. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-time highly liquid investments with negligible risk of changes in value and maturity of not exceeding 3 months at the time of purchase are considered to be cash and cash equivalents.

ADDITIONAL INFORMATION:

(Employees' pension and retirement benefits)

Effective January 1, 2001, the Company adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998. As a result of the adoption of the new accounting standard, in the year ended December 31, 2001, pension and retirement benefit expenses increased by ¥ 12,116million, operating income increased by ¥ 5,292million and income before income taxes decreased by ¥ 8,943million compared with what would have been recorded under the previous accounting standard. The amortization of net transition obligation of ¥ 18,835million is recorded as special expense, and gain on securities contributed to pension and retirement benefits trust of ¥ 4,599million are recorded as special income.

Provision for retirement benefits recorded in the previous year under the previous accounting standard, and payable for prior service cost included in pension and retirement benefits.

(Securities)

Effective January 1, 2001, the Company adopted the new accounting standard for financial instruments, "Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999. As a result of adopting the new accounting standard for financial instruments, operating income and income before income taxes increased by ¥ 3,856million. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on January 1, 2001, securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at December 31, 2001, securities in current assets decreased by ¥ 112,321million and investment securities increased by the same amount compared with what would have been recorded under the previous accounting standard. Also as a result of the adoption, return on funds in trust, which was included in interest income in the prior year is separately disclosed in the statement of operation for the year ended December 31, 2001.

The amounts of return on funds in trust for the year ended December 31, 2000 were ¥ 1,907million.

(Foreign currency translation)

Effective January 1, 2001, the Company adopted the revised accounting standard for foreign currency translation, "Opinion on Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999. The impact of adopting the revised accounting standard on the reported result of operation is immaterial.

In addition, due to the adoption of the revised accounting standard, foreign currency translation adjustments (of ¥ 16,501million) are included in shareholders' equity in the consolidated balance sheet at December 31, 2001. The prior year amount, which is included in assets, has not been reclassified.

NOTES TO:

(CONSOLIDATED BALANCE SHEETS)

1 Accumulated depreciation (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--------------------------|-------------------------|-------------------------|
| Accumulated depreciation | 724,174 | 696,264 |

2 Investments in non-consolidated subsidiaries and affiliates (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Investments in securities (Stocks) | 69,472 | 72,751 |
| Other in investments and other assets (Equity) | 306 | 462 |

3 Detail of collateral

(1) Collateral (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---|-------------------------|-------------------------|
| Notes and accounts receivable | 391 | 518 |
| Inventories | 3,055 | 2,026 |
| Buildings and structures | 1,432 | 1,552 |
| Machinery, equipment and vehicles | 1,719 | 1,710 |
| Land | 1,132 | 1,096 |
| Other of property, plant and Equipment (Fixtures) | 35 | 19 |
| Investments in securities | 33 | 29 |
| Total | 7,800 | 6,952 |

Following assets, which are included above, are pledged as factory foundation collateral

| | | |
|-----------------------------------|-------|-------|
| Buildings and structures | 313 | 337 |
| Machinery, equipment and vehicles | 36 | 41 |
| Land | 657 | 657 |
| Total | 1,008 | 1,036 |

(2) Secured borrowing (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Short-term bank loans | 2,400 | 3,150 |
| Long-term debt (include current maturities of long-term loans) | 1,630 | 1,729 |
| Deposits received | 3,408 | 3,408 |
| Postage charge (facility limit) | 29 | 29 |
| Total | 7,468 | 8,316 |

Following assets, which are included above, are pledged as factory foundation collateral

| | | |
|-----------------------|-------|-------|
| Short-term bank loans | 2,400 | 3,150 |
|-----------------------|-------|-------|

1. Factory foundation collateral consists of the Headquarters factory and Matsumoto factory of Nagano Tomato Corporation.

2. Notes, accounts receivable and inventories, which are pledged as collateral, shown above, are for Kirin Agribio EC B.V. and Raymond Vineyard & Cellar Inc.

4 Contingent liabilities

| (1) Guarantees for unconsolidated subsidiaries and affiliated companies | | (¥ millions) |
|---|-------------------------|-------------------------------------|
| | At December 31, 2001 | At December 31, 2000 |
| Marinonet Co., Ltd. | 3,675 | 1,257 |
| Koiwai Dairy Products Co., Ltd. | 1,650 | 1,600 |
| Other | 471 | 1,087 |
| Number | 3 | 17 |
| (Foreign currency) | - | 296 [NLG 1,509t AUD 3,812t] |
| <hr/> | | |
| (2) Guarantees for employee's housing loan from banks | | (¥ millions) |
| | At December 31, 2001 | At December 31, 2000 |
| | 13,399 | 13,639 |
| <hr/> | | |
| (3) Guarantees for customers | | (¥ millions) |
| | At December 31, 2001 | At December 31, 2000 |
| Southeastern Container, Inc. | 1,464 (USD 11,102t) | 1,273 (USD 11,102t) |
| Other | 858 | 434 |
| (Amounts of customers) | 55 | 3) |
| (Foreign currency) | 443 (AUD 7,631t) | -) |
| <hr/> | | |
| Total contingent liabilities | 21,519 | 19,292 |
| (Including agreements similar to contingent liabilities) | 969 | 765) |

5 Revaluation of land

KIRIN BEVERAGE CORPORATION revalued land used for business pursuant to Law Concerning Revaluation Reserve for Land (effective March 31, 1998) and revision of the Law on March 31, 2001.

Due to revaluation of land in assets, the revaluation difference, net of tax, is accounted for as revaluation variance for land in stockholders' equity, and tax portion is accounted for as deferred income taxes.

Revaluation was performed by adjusting the road rating pursuant to Article 2, Paragraph 4 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land effective March 31, 1998.

Where the road rating is not provided, adjusted valuation of real estate tax set in the Article 2, Paragraph 4 was used.

| | |
|-------------------------------|-------------------|
| Date of revaluation | December 31, 2001 |
| Book value before revaluation | ¥ 21,618million |
| Book value after revaluation | ¥ 16,879million |

(CONSOLIDATED STATEMENTS OF INCOME)

1 Major elements of selling, general and administrative expenses

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|--------------------------------------|---------------------------------|---------------------------------|
| Sales promotion | 139,870 | 115,604 |
| Freight | 45,546 | 45,478 |
| Advertising | 61,290 | 61,398 |
| Pension and retirement benefit costs | 8,078 | — |
| Employee's compensation | 82,658 | 83,717 |
| Research and development | 22,868 | 20,818 |
| Depreciation | 24,571 | 23,157 |
| Retirement and severance benefits | — | 8,863 |

2 Research and development expenses included in selling, general and administrative expenses and cost of sales

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|---|---------------------------------|---------------------------------|
| Total Research and development expenses | 23,063 | 21,445 |

3 Gain on sales of fixed assets

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------|---------------------------------|---------------------------------|
| Land | 2,897 | 8,741 |
| Other | 83 | 493 |
| Total | 2,981 | 9,234 |

4 Loss on disposal of fixed assets

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-----------------------------------|---------------------------------|---------------------------------|
| Buildings and structures | 2,328 | 2,217 |
| Machinery, equipment and vehicles | 2,407 | 3,326 |
| Other | 262 | 1,184 |
| Total | 4,998 | 6,727 |

5 Loss on sales of fixed assets

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-----------------------------------|---------------------------------|---------------------------------|
| Buildings and structures | 401 | 42 |
| Machinery, equipment and vehicles | 255 | 442 |
| Other | 102 | 14 |
| Total | 759 | 498 |

6 Write-down of fixed assets of foreign subsidiaries and affiliates

The amounts of write-down of fixed assets of foreign subsidiaries and affiliates represent impairment loss of goodwill and other assets of LION NATHAN LTD. 2001 and impairment loss of fixed assets at LION NATHAN China for 2000.

7 Loss on revaluation of golf club membership

Loss on revaluation of golf club membership of ¥2,079 million are recorded as allowance for doubtful accounts for 2001.

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

1 Reconciliation between cash and cash equivalents on consolidated statements of cash flows at end of period and related accounts on consolidated balance sheets is as follows:

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Cash | 143,525 | 50,579 |
| Marketable securities | 12,272 | 136,132 |
| Fixed (time) deposit over 3 months | (3,411) | (4,039) |
| Marketable securities over 3 months | (8,054) | (118,337) |
| Cash and cash equivalents at end of period | 144,331 | 64,335 |

2 Assets and liabilities of the newly consolidated subsidiaries by acquisition

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---|-------------------------|-------------------------|
| Current Assets | 11,938 | — |
| Fixed Assets | 44,457 | — |
| Consolidation differences | 92 | — |
| Current Liabilities | (4,423) | — |
| Long-term Liabilities | (14,933) | — |
| Minority interests | (10,240) | — |
| Acquisition cost | 26,891 | — |
| Acquisition cost at the beginning of the period | (7,803) | — |
| Acquisition cost during the period | 19,087 | — |
| Cash and cash equivalents of the acquired companies | 127 | — |
| Expenditure of acquisition | 19,215 | — |

3 Assets and liabilities of the companies excluded from consolidation scope due to sales of stock

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|-----------------------|-------------------------|-------------------------|
| Current Assets | 10,310 | — |
| Fixed Assets | 42,603 | — |
| TOTAL ASSETS | 52,914 | — |
| Current Liabilities | (2,611) | — |
| Long-term Liabilities | (15,545) | — |
| TOTAL LIABILITIES | (18,157) | — |

4 Non cash transaction

(1) Securities contributed to employees' pension and retirement benefits trust

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|------------------------------|-------------------------|-------------------------|
| Securities contributed | 3,802 | — |
| Gain on contribution | 4,599 | — |
| Total Securities contributed | 8,401 | — |

(2) Assets and liabilities of the newly consolidated subsidiaries in accordance with the revision of accounting standards for consolidation

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Current Assets | — | 33,413 |
| Fixed Assets | — | 180,233 |
| (Consolidation differences) | — | 47,975 |
| Foreign Currency Translation Adjustments | — | 15,730 |
| TOTAL ASSETS | — | 229,376 |
| Current Liabilities | — | (29,141) |
| Long-term Liabilities | — | (82,704) |
| TOTAL LIABILITIES | — | (111,846) |

(SEGMENT INFORMATION)

1. Business Segment Information

| (¥ millions) | | | | | | |
|---|------------------------|-------------|---------|-----------|------------------------------|--------------|
| Year ended December 31, 2001 | | | | | | |
| | Alcoholic beverages | Soft drinks | Other | Total | Elimination/ Unallocation | Consolidated |
| Sales, operating expenses and operating income | | | | | | |
| Sales | | | | | | |
| 1 Unaffiliated customers | 1,078,004 | 332,951 | 150,922 | 1,561,879 | — | 1,561,879 |
| 2 Intersegment | 2,845 | 1,296 | 129,678 | 133,819 | (133,819) | — |
| Total sales | 1,080,849 | 334,248 | 280,600 | 1,695,698 | (133,819) | 1,561,879 |
| Operating expenses | 1,034,393 | 317,128 | 264,733 | 1,616,255 | (129,441) | 1,486,814 |
| Operating income | 46,455 | 17,120 | 15,867 | 79,443 | (4,378) | 75,065 |
| Assets, depreciation and capital expenditure | | | | | | |
| Assets | 759,833 | 233,771 | 288,247 | 1,281,853 | 379,799 | 1,661,652 |
| Depreciation | 40,960 | 16,105 | 14,637 | 71,703 | 1,885 | 73,588 |
| Capital expenditure | 64,165 | 15,481 | 16,866 | 96,513 | 517 | 97,031 |

| (¥ millions) | | | | | | |
|---|-----------|-------------|---------|-----------|------------------------------|--------------|
| Year ended December 31, 2000 | | | | | | |
| | Beer | Soft drinks | Other | Total | Elimination/ Unallocation | Consolidated |
| Sales, operating expenses and operating income | | | | | | |
| Sales | | | | | | |
| 1 Unaffiliated customers | 1,111,882 | 318,006 | 150,936 | 1,580,825 | — | 1,580,825 |
| 2 Intersegment | 2,965 | 1,219 | 103,935 | 108,120 | (108,120) | — |
| Total sales | 1,114,848 | 319,225 | 254,872 | 1,688,946 | (108,120) | 1,580,825 |
| Operating expenses | 1,049,974 | 301,388 | 237,925 | 1,589,288 | (102,860) | 1,486,427 |
| Operating income | 64,873 | 17,837 | 16,947 | 99,658 | (5,260) | 94,397 |
| Assets, depreciation and capital expenditure | | | | | | |
| Assets | 740,135 | 224,118 | 309,548 | 1,273,802 | 353,598 | 1,627,400 |
| Depreciation | 38,241 | 15,874 | 15,682 | 69,798 | 2,252 | 72,051 |
| Capital expenditure | 58,807 | 25,266 | 15,874 | 99,948 | 8,246 | 108,195 |

Notes: 1. Types and nature of products are considered in classification of business segments. In January 2001, the marketing division of Kirin Seagram Ltd, an affiliated company under equity method, is integrated into Kirin Brewery Limited, in accordance with the Kirin Group's strategy to concentrate on total alcoholic beverages. As a results, sales of ¥ 51,080million has been recognized for the year ended December 31, 2001 for whisky, spirits, wine etc.. As the nature and the market of these alcoholic beverages and beer are similar, such sales are added to the sales of beer segments, and accordingly, the presentation of "beer" segment has been changed to "alcoholic beverages" in the current period.

2. Main products of sales bysegment are as follows:

| Sales bysegment | Main products |
|---------------------|--|
| Alcoholic beverages | Beer, Sparkling malt liquor (<i>Happoshu</i>), Whiskey, Spirits, Wine etc. |
| Soft drinks | Soft drink, Other drink |
| Other | Pharmaceutical products, Engineering, Logistics, Floriculture etc. |

3. Unallocable operating expenses included in "Elimination / Unallocation" mainly consist of costs for new business development and costs for new basic technologies researched and developed by the Company.

Year ended December 31, 2001 ¥ 3,982million

Year ended December 31, 2000 ¥ 4,681million

4. Unallocable assets included in "Elimination / unallocation" mainly consist of surplus funds (cash and marketable securities), long- term investments (investment in securities and life insurance), and assets which belong to administrative department of the Company.

Year ended December 31, 2001 ¥ 410,749million

Year ended December 31, 2000 ¥ 385,507million

5. As a result of adopting the new accounting standard for severance and pension benefits, the operating expenses has decreased by ¥ 5,718million for "alcoholic beverages", increased by ¥ 109million for "soft drinks", decreased by ¥ 1,360million for "other" and decreased by ¥ 60million for "elimination/unallocation", compared to what would have been reported under the previous accounting standard.

2. Geographical Segment Information

| (¥ millions) | | | | | | |
|---|-----------|------------------|--------|-----------|------------------------------|--------------|
| Year ended December 31, 2001 | | | | | | |
| | Japan | Asia, Oceania | Other | Total | Elimination/ Unallocation | Consolidated |
| Sales, operating expenses and operating income | | | | | | |
| Sales | | | | | | |
| 1 Unaffiliated customers | 1,408,904 | 105,224 | 47,750 | 1,561,879 | — | 1,561,879 |
| 2 Intersegment | 2,268 | 910 | 703 | 3,882 | (3,882) | — |
| Total sales | 1,411,172 | 106,135 | 48,453 | 1,565,761 | (3,882) | 1,561,879 |
| Operating expenses | 1,349,543 | 91,998 | 45,035 | 1,486,577 | 236 | 1,486,814 |
| Operating income | 61,629 | 14,136 | 3,417 | 79,184 | (4,119) | 75,065 |
| Assets | 1,011,618 | 294,962 | 73,746 | 1,380,327 | 281,325 | 1,661,652 |

| (¥ millions) | | | | | | |
|---|-----------|------------------|--------|-----------|------------------------------|--------------|
| Year ended December 31, 2000 | | | | | | |
| | Japan | Asia, Oceania | Other | Total | Elimination/ Unallocation | Consolidated |
| Sales, operating expenses and operating income | | | | | | |
| Sales | | | | | | |
| 1 Unaffiliated customers | 1,428,444 | 105,964 | 46,416 | 1,580,825 | — | 1,580,825 |
| 2 Intersegment | 2,617 | 882 | 482 | 3,982 | (3,982) | — |
| Total sales | 1,431,062 | 106,846 | 46,899 | 1,584,808 | (3,982) | 1,580,825 |
| Operating expenses | 1,346,136 | 95,236 | 44,311 | 1,485,684 | 742 | 1,486,427 |
| Operating income | 84,925 | 11,610 | 2,587 | 99,123 | (4,725) | 94,397 |
| Assets | 992,498 | 196,062 | 53,954 | 1,242,516 | 384,884 | 1,627,400 |

Notes: 1. Geographical distances are considered in classification of country or area.

2. Major countries or areas included in each segment except for Japan are as follows;

| | |
|---------------|------------------------------------|
| Asia, Oceania | East Asia, Southeast Asia, Oceania |
| Other | USA, Europe |

3. Amounts and major items included in "Elimination/Unallocation" are the same as those described in Notes 3 and 4 in "1. Business Segment Information".

4. As a result of adopting the new accounting standard for employees' severance and pension benefits, the operating expenses has decreased by ¥ 7,029million for "Japan", compared to what would have been reported under the previous accounting standard.

5. Lion Nathan Limited, a consolidated subsidiary, which is included in "Asia, Oceania", has changed its accounting period and therefore reported 13 months results for the previous year period.

3. Overseas sales

(¥ millions)

| Year ended December 31, 2001 | | | |
|---|---------------|--------|-----------|
| | Asia, Oceania | Other | Total |
| I Overseas sales | 105,879 | 48,100 | 153,979 |
| II Consolidated sales | — | — | 1,561,879 |
| III Percentage of overseas sales to consolidated sales(%) | 6.8 | 3.1 | 9.9 |

(¥ millions)

| Year ended December 31, 2000 | | | |
|---|---------------|--------|-----------|
| | Asia, Oceania | Other | Total |
| I Overseas sales | 106,747 | 46,794 | 153,542 |
| II Consolidated sales | — | — | 1,580,825 |
| III Percentage of overseas sales to consolidated sales(%) | 6.8 | 3.0 | 9.7 |

Notes: 1. Geographical distances are considered in classification of country or area.

2. Major countries or areas included in each segment are as follows:

| | |
|---------------|------------------------------------|
| Asia, Oceania | East Asia, Southeast Asia, Oceania |
| Other | USA, Europe |

3. Overseas sales represent those of the Company and consolidated subsidiaries to countries and areas outside of Japan.

4. Lion Nathan Limited, a consolidated subsidiary, which is included in "Asia, Oceania", has changed its accounting period and therefore reported 13 months results for the previous year period.

(LEASE TRANSACTIONS)

Lessee lease

(Finance lease transactions without ownership transfer to lessee)

(1) Purchase price equivalent, accumulated depreciation equivalent and book value equivalent of leased properties

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Machinery, equipment and vehicles | | |
| Purchase price equivalent | 2,794 | 2,688 |
| Accumulated depreciation equivalent | 1,462 | 1,397 |
| Book value equivalent | 1,331 | 1,290 |
| Property, plant and equipment, other (Tools) | | |
| Purchase price equivalent | 4,165 | 4,570 |
| Accumulated depreciation equivalent | 2,700 | 3,109 |
| Book value equivalent | 1,465 | 1,461 |
| Total | | |
| Purchase price equivalent | 6,959 | 7,258 |
| Accumulated depreciation equivalent | 4,162 | 4,507 |
| Book value equivalent | 2,797 | 2,751 |

(2) Lease commitments

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 1,142 | 1,034 |
| Due after one year | 1,822 | 1,671 |
| Total | 2,964 | 2,705 |

(3) Lease payments, depreciation equivalent and interest equivalent

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------------------------|---------------------------------|---------------------------------|
| Lease payments | 1,495 | 1,422 |
| Depreciation equivalent | 1,257 | 1,255 |
| Interest equivalent | 87 | 82 |

(4) Method of computing depreciation equivalent

Depreciation equivalent is computed on a straight-line method over the lease period with residual value of zero.

(5) Allocation of interest equivalent

Differences between total lease expenses and its acquisition costs of the leased properties comprise interest equivalent and insurance, maintenance and certain other operating costs. Interest equivalent is allocated using interest method over the terms of leases.

(Operating lease transactions)

Lease commitments

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 302 | 1,387 |
| Due after one year | 747 | 3,903 |
| Total | 1,049 | 5,290 |

Lessor lease

(Finance lease transactions without ownership transfer to lessee)

(1) Purchase price, accumulated depreciation and book value of leased properties

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Property, plant and equipment, other (Leased assets) | | |
| Purchase price | 18,600 | 17,349 |
| Accumulated depreciation | 11,837 | 10,980 |
| Book value | 6,762 | 6,369 |
| Intangible fixed assets, other (Leased assets) | | |
| Purchase price | — | — |
| Accumulated depreciation | — | — |
| Book value | 696 | 584 |
| Total | | |
| Purchase price | 18,600 | 17,349 |
| Accumulated depreciation | 11,837 | 10,980 |
| Book value | 7,458 | 6,954 |

(2) Lease commitments

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 2,235 | 2,364 |
| Due after one year | 5,512 | 4,967 |
| Total | 7,748 | 7,331 |

(3) Lease revenue, depreciation equivalent and interest equivalent

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------------------------|---------------------------------|---------------------------------|
| Lease revenue | 3,030 | 3,273 |
| Depreciation equivalent | 2,502 | 2,705 |
| Interest equivalent | 334 | 376 |

(4) Allocation of interest equivalent

Interest equivalent is allocated using interest method over the terms of leases.

(Related party transactions)

The disclosure for related party transactions are omitted as there has been no significant with related parties.

(Deferred income taxes)

1. Significant components of deferred income tax assets and liabilities

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---|-------------------------|-------------------------|
| Deferred income tax assets | | |
| Pension and retirement benefits | 35,959 | — |
| Retirement and severance benefits | — | 27,359 |
| Deferred charges | 9,261 | 8,861 |
| Depreciation | 8,410 | 8,495 |
| Unrealized profits on fixed assets | 4,050 | 3,676 |
| Other | 32,667 | 26,233 |
| Sub-total | 90,349 | 74,625 |
| Less valuation allowance | (300) | (13) |
| Total deferred income tax assets | 90,049 | 74,612 |
| Deferred income tax liabilities | | |
| Net unrealized holding gains on securities | (14,020) | — |
| Reserve for deferred gains on sales of fixed assets for tax purposes | (11,000) | (10,272) |
| Accelerated depreciation for foreign subsidiary | (4,064) | (4,660) |
| Other | (6,949) | (2,090) |
| Total deferred income tax liabilities | (36,034) | (17,023) |
| Net deferred tax assets | 54,014 | 57,589 |
| Deferred income tax due to revaluation of land | 1,995 | |
| Net deferred income tax assets are included in the consolidated balance sheets as follows | | |
| Current Assets- Deferred income tax assets | 17,188 | — |
| Fixed Assets -Deferred income tax assets | 45,191 | — |
| Current Liabilities-Other | (5) | — |
| Long-term Liabilities-Other | (8,359) | — |

2. Significant components of difference between the statutory tax rate and the effective tax rate

(%)

| | At December 31, 2001 | At December 31, 2000 |
|------------------------------|-------------------------|-------------------------|
| Statutory tax rate | 42.1 | 42.1 |
| Expenses | 6.9 | 7.9 |
| Revenue | (1.3) | (1.1) |
| Per capita inhabitants taxes | 0.5 | 0.4 |
| Consolidation difference | 2.1 | 1.9 |
| Other | 1.3 | 0.5 |
| Effective tax rate | 51.6 | 51.7 |

(SECURITIES)

Year ended December 31, 2001

| 1. Held-to-maturity securities with market values (as of December 31, 2001) | (¥ millions) | | |
|---|--------------|--------------|------------|
| | Book value | Market value | Difference |
| Securities whose market value exceeds the book value | | | |
| Governmental/municipal bonds | 1,048 | 1,075 | 26 |
| Corporate bonds | 1,787 | 1,810 | 23 |
| Other | — | — | — |
| Sub-Total | 2,835 | 2,885 | 49 |
| Securities whose market value does not exceeds the book value | | | |
| Governmental/municipal bonds | 49 | 49 | (0) |
| Corporate bonds | — | — | — |
| Other | — | — | — |
| Sub-Total | 49 | 49 | (0) |
| Total | 2,885 | 2,935 | 49 |

2. Other marketable securities with market values (¥ millions)

| | Acquisition cost | Book value | Difference |
|---|------------------|------------|------------|
| Securities whose market value exceeds the book value | | | |
| Stocks | 91,783 | 127,407 | 35,624 |
| Bonds | | | |
| Governmental/municipal bonds | 49 | 56 | 6 |
| Corporate bonds | 60 | 64 | 4 |
| Other | 6,498 | 6,545 | 47 |
| Other | 5,076 | 5,149 | 72 |
| Sub-Total | 103,468 | 139,223 | 35,755 |
| Securities whose market value does not exceeds the book value | | | |
| Stocks | 18,389 | 15,950 | (2,439) |
| Bonds | | | |
| Governmental/municipal bonds | — | — | — |
| Corporate bonds | — | — | — |
| Other | — | — | — |
| Other | 2,395 | 2,348 | (47) |
| Sub-Total | 20,785 | 18,298 | (2,486) |
| Total | 124,253 | 157,522 | 33,268 |

3. Other marketable securities sold during the current period (¥ millions)

| Amount sold | Total gain on sales | Total loss on sales |
|-------------|---------------------|---------------------|
| 13,252 | 10,024 | 1,302 |

4. Other marketable securities at book value (as of December 31, 2001):

Other marketable securities

| | |
|--------------------------------------|-----------------|
| Unlisted securities | ¥ 41,751million |
| Investment fund constituted of bonds | ¥1,637million |
| Mid term government security fund | ¥ 987million |

5. Maturities of other marketable securities with maturity and held-to-maturity debt securities(as of December 31, 2001) (#millions)

| | Due in 1 year | 1 to 5 year | 5 to 10 year | Over 10 years |
|------------------------------|---------------|-------------|--------------|---------------|
| Bonds | | | | |
| Governmental/municipal bonds | — | 1,154 | — | — |
| Corporate bonds | 644 | 1,143 | — | — |
| Other | 5,562 | 1,013 | — | — |
| Other | 2,233 | — | — | — |
| Total | 8,440 | 3,311 | — | — |

6. Impairment loss on marketable securities

Impairment loss of ¥ 3,283millions for other marketable securities were recorded for the year ended December 31, 2001. Where the market value is determinable, other marketable securities are subject to impairment loss when the decline of market value to the book value is more than 30%. In such case, securities are considered "substantially declined" and are written down unless the decline is temporary. The other marketable securities without market value are written down when the decline of substantive value to the acquisition cost is more than 50%, which is considered "substantially declined" unless the decline is temporary.

Year ended December 31, 2000 (as of December 31, 2000)

(¥ millions)

| | At December 31, 2000 | | |
|----------------|----------------------|--------------|------------------|
| | Book value | Market value | Unrealized gains |
| Current Assets | | | |
| Shares | 96,422 | 164,547 | 68,125 |
| Bonds | 14,459 | 14,631 | 171 |
| Other | 546 | 549 | 3 |
| Sub Total | 111,428 | 179,728 | 68,300 |
| Fixed Assets | | | |
| Shares | 71,560 | 78,998 | 7,438 |
| Bonds | 79 | 84 | 5 |
| Other | — | — | — |
| Sub Total | 71,639 | 79,083 | 7,444 |
| TOTAL | 183,067 | 258,811 | 75,744 |

Note 1: Computation of market value

- (1) Listed securities - closing price mainly at Tokyo Stock Exchange
- (2) Over-the-counter securities- latest transaction price announced by the Japan Securities Dealers Association
- (3) Unlisted securities - price of public and private corporation bond at the over-the-counter market, announced by the Japan Securities Dealers Association.
- (4) Unlisted beneficiary certificates for securities investment trust – base prices.

Note 2: The following securities, whose market values are not available, are excluded from the above table.

(¥ millions)

| | Book value at December 31, 2000 |
|---|------------------------------------|
| Current Assets | |
| Mid term government security fund | 3,870 |
| Investment fund constituted of bonds | 8,657 |
| Free financial fund | 350 |
| Beneficiary certificate of security investment fund | 4,826 |
| Unlisted bonds etc | 7,000 |
| Fixed assets | |
| Unlisted securities | 60,103 |
| Securities in limited liability companies | 106 |
| Unlisted bonds etc | 10,063 |

(CONTRACT AMOUNTS, MARKET VALUE AND UNREALIZED GAINS/LOSSES OF DERIVATIVE TRANSACTIONS)

At December 31, 2001

The disclosure of derivative transactions is omitted, because hedge accounting applies to all of the derivative contracts utilized by Kirin Brewery Company, Limited and its consolidated subsidiaries.

At December 31, 2000

1. Currency related derivatives;

(¥ millions)

| Type | Contract amounts, etc | (Including amount due after one year) | Market value | Unrealized gains(losses) |
|-------------------------------------|-----------------------|---------------------------------------|--------------|--------------------------|
| Transactions not through market : | | | | |
| Forward foreign exchange contracts: | | | | |
| Selling | 16,328 | — | 17,322 | (993) |
| Buying | 3,547 | — | 3,278 | (268) |
| Options: | | | | |
| Selling | | | | |
| Call | 912 | — | (4) | (4) |
| Put | 771 | — | 0 | 0 |
| Buying | | | | |
| Call | 1,845 | — | 23 | 23 |
| Swaps: | 17,656 | 17,656 | 5,306 | 5,306 |
| Total | — | — | — | 4,064 |

2. Interest related derivatives;

(¥ millions)

| Type | Contract amounts, etc | (Including amount due after one year) | Market value | Unrealized gains(losses) |
|---------------------------------------|-----------------------|---------------------------------------|--------------|--------------------------|
| Transactions not through market : | | | | |
| Options: | | | | |
| Selling | | | | |
| Put | 8,224 | 5,289 | (14) | (14) |
| Buying | | | | |
| Call | 3,907 | 3,907 | 56 | 56 |
| Swaps: | | | | |
| Pay fixed rate, receive floating rate | 42,596 | 37,176 | (126) | (126) |
| Total | — | — | — | (83) |

3. Commodity derivatives;

(¥ millions)

| Type | Contract amounts, etc | (Including amount due after one year) | Market Value | Unrealized gains |
|-----------------------------------|-----------------------|---------------------------------------|--------------|------------------|
| Transactions not through market : | | | | |
| Swaps: | | | | |
| Aluminum | 393 | — | 10 | 10 |
| Total | — | — | — | 10 |

(Pension and retirement benefits)

1. Summary of the severance and pension benefit plan

The Company and its subsidiaries provide three types of contributory defined benefit plans which are lump-sum severance payment, Welfare Pension Fund, and approved retirement pension. Extra payments may be added upon retirement of employees. Several foreign subsidiaries provide defined contribution plans and/or defined benefit plans. The Company has established the severance and pension benefit trust.

2. Pension and retirement benefits obligation (As of December 31, 2001) (¥ million)

| | |
|---|-----------|
| (1) Projected benefit obligation | (315,240) |
| (2) Fair value of pension assets | 174,482 |
| (3) Unfunded pension obligation (1)+(2) | (140,757) |
| (4) Unrecognized actuarial difference | 40,697 |
| (5) Severance and pension benefit (3)+(4) | (100,060) |

Notes: 1. Substitutional portion of the Welfare Pension Fund is included.

2. Several subsidiaries compute the projected benefit obligation by using simplified method.

3. Pension and retirement benefits expenses (From January 1, 2001 to December 31, 2001)

(¥ million)

| | |
|---|---------|
| (1) Service cost (Notes 1, 2) | 8,912 |
| (2) Interest cost | 9,651 |
| (3) Expected return on plan assets | (5,782) |
| (4) Amortization of net transition obligation | 18,835 |
| (5) Severance and pension benefits expenses | 31,616 |

Notes: 1. Employees' contribution to the Welfare Pension Fund is excluded.

2. Severance and pension benefits expenses of subsidiaries using simplified method are included.

4. Basis for calculation of pension and retirement benefits, etc.

| | |
|---|----------------------|
| (1) Periodic allocation of anticipated severance and pension benefits | Straight-line method |
| (2) Discount rate | 3.0% |
| (3) Percentage of expected return on assets | mainly 3.5% |
| (4) Periods over which the actuarial difference is amortized | 15 years |
| (5) Periods over which the net transition obligation is amortized | 1 year |

(PRODUCTION, ORDERS RECEIVED AND SALES)

(1) PRODUCTION PERFORMANCE

Production performance for the current fiscal year classified by the type of business segment is as follows:

| Business Segment | year ended December 31, 2001 | Percentage change (%) |
|---------------------|------------------------------|-----------------------|
| Alcoholic beverages | 1,021,080 (¥ millions) | (8.1) |
| Soft drinks | 99,206 (¥ millions) | (0.7) |
| Other | 87,956 (¥ millions) | (2.5) |

Notes: The amounts are calculated based on sales price without consumption taxes.

(2) ORDERS RECEIVED

Orders received for the current fiscal year, classified by the type of business segment is as follows:

| Business Segment | Orders received during period | Percentage change (%) | Backlog | Percentage change (%) |
|------------------|-------------------------------|-----------------------|--------------------|-----------------------|
| Soft drinks | 471 (¥ millions) | (30.9) | — (¥ millions) | — |
| Other | 10,625 (¥ millions) | (10.2) | 2,824 (¥ millions) | 2.3 |

Notes: The amounts are calculated based on sales price without consumption taxes.

(3) SALES PERFORMANCE

Sales performance for the current fiscal year classified by the type of business segment is as follows:

| Business Segment | year ended December 31, 2001 | Percentage change (%) |
|---------------------|------------------------------|-----------------------|
| Alcoholic beverages | 1,078,004 (¥ millions) | (3.0) |
| Soft drinks | 332,951 (¥ millions) | 4.7 |
| Other | 150,922 (¥ millions) | 0.0 |

Notes: The amounts do not include the related consumption tax, etc.

As a result of changing the presentation of business segment, the presentation of "beer" sales by segment has been changed to "alcoholic beverages" in the current period.

**CONSOLIDATED FINANCIAL
RESULTS
for
THE YEAR
ended
DEC. 31, 2001**

SUPPLEMENTARY COMMENTS

KIRIN BREWERY COMPANY, LIMITED

FEB. 20, 2002

2001 Actual:Consolidated

PROFIT CHANGE FROM PRIOR YEAR

(¥ Billions)

| Item | 01Actual | 00Actual | Difference | Reference |
|--|----------|----------|------------|---------------------|
| <i>Sales</i> | 1,561.8 | 1,580.8 | (19.0) | |
| Increase in other consolidated subsidiaries' operating income | | | 2.7 | LION NATHAN LTD.etc |
| Decrease in KIRIN BEVERAGE'S operating income | | | (1.8) | |
| Decrease in Parent's operating income | | | (20.2) | |
| <i>Decrease in Operating Income</i> | 75.0 | 94.3 | (19.3) | |
| Increase in equity in earnings of affiliates | | | 1.2 | |
| Increase in KIRIN BEVERAGE'S non-operating income, net | | | 0.9 | |
| Decrease in Parent's non-operating income, net | | | (2.6) | |
| Decrease in other consolidated subsidiaries' non-operating income, net | | | (3.9) | LION NATHAN LTD.etc |
| <i>Decrease in Income Before Special Items</i> | 69.3 | 93.0 | (23.7) | |
| Increase in Parent's special income, net | | | 10.6 | |
| Increase in other consolidated subsidiaries' special income, net | | | 8.9 | LION NATHAN LTD.etc |
| Decrease in KIRIN BEVERAGE'S special income, net | | | (2.6) | |
| Decrease in minority interests | | | (3.0) | |
| <i>Decrease in Net Income</i> | 23.1 | 32.9 | (9.8) | |

2002 Budget:Consolidated

PROFIT CHANGE FROM CURRENT YEAR

(¥ Billions)

| Item | 02Budget | 01Actual | Difference | Reference |
|--|----------|----------|------------|---------------------|
| <i>Sales</i> | 1,600.0 | 1,561.8 | 38.2 | LION NATHAN LTD.etc |
| Increase in Parent's operating income | | | 8.1 | |
| Increase in other consolidated subsidiaries' operating income | | | 0.5 | |
| Increase in KIRIN BEVERAGE'S operating income | | | 0.4 | |
| <i>Increase in Operating Income</i> | 84.0 | 75.0 | 9.0 | LION NATHAN LTD.etc |
| Increase in other consolidated subsidiaries' non-operating income, net | | | 1.2 | |
| Decrease in KIRIN BEVERAGE'S non-operating income, net | | | (0.2) | |
| Decrease in equity in earnings of affiliates | | | (0.7) | |
| Decrease in Parent's non-operating income, net | | | (1.6) | |
| <i>Increase in Income Before Special Items</i> | 77.0 | 69.3 | 7.7 | LION NATHAN LTD.etc |
| Increase in KIRIN BEVERAGE'S special income, net | | | 3.1 | |
| Decrease in minority interests | | | (0.6) | |
| Decrease in Parent's special income, net | | | (0.8) | |
| Decrease in other consolidated subsidiaries' special income, net | | | (3.5) | |
| <i>Increase in Net Income</i> | 29.0 | 23.1 | 5.9 | |

Consolidated

Forecast of consolidated financial performance

| Results of operations | (¥ billions) | | |
|-----------------------------|--------------|-----------|-----------|
| | 02 Budget | 01 Actual | 00 Actual |
| Sales | 1,600.0 | 1,561.8 | 1,580.8 |
| Operating Income | 84.0 | 75.0 | 94.3 |
| Income before Special items | 77.0 | 69.3 | 93.0 |
| Net income | 29.0 | 23.1 | 32.9 |

| Scope of consolidation and application of equity method | (Number of companies) | | |
|---|-----------------------|-----------|-----------|
| | 02 Budget | 01 Actual | 00 Actual |
| Consolidated subsidiaries | 263 | 261 | 241 |
| Unconsolidated subsidiaries applied by equity method | 1 | 1 | 1 |
| Affiliates applied by equity method | 14 | 15 | 18 |

Income and expense analysis by business segment

| Movement between 01 Actual and 00 Actual | (¥ billions) | | | | |
|--|---------------------|-------------|-------|---------------------------|--------|
| | Alcoholic beverages | Soft drinks | Other | Elimination/ Unallocation | Total |
| Operating income – 00 Actual | 64.8 | 17.8 | 16.9 | (5.2) | 94.3 |
| Increase (Decrease) in gross profit | (5.3) | 7.5 | (2.1) | 2.1 | 2.2 |
| Decrease (Increase) in selling expenses | (16.3) | (6.1) | (0.3) | — | (22.7) |
| Decrease (Increase) in operations, and general and administrative expenses | 3.2 | (2.1) | 1.3 | (1.2) | 1.2 |
| Increase (Decrease) in operating income | (18.4) | (0.7) | (1.1) | 0.9 | (19.3) |
| Operating income – 01 Actual | 46.4 | 17.1 | 15.8 | (4.3) | 75.0 |

| Movement between 02 Budget and 01 Actual | (¥ billions) | | | | |
|--|---------------------|-------------|-------|---------------------------|--------|
| | Alcoholic beverages | Soft drinks | Other | Elimination/ Unallocation | Total |
| Operating income - 01 Actual | 46.4 | 17.1 | 15.8 | (4.3) | 75.0 |
| Increase (Decrease) in gross profit | 5.9 | 4.5 | 3.2 | — | 13.6 |
| Decrease (Increase) in selling expenses | 13.7 | (2.4) | (3.2) | — | 8.1 |
| Decrease (Increase) in operations, and general and administrative expenses | (4.8) | (1.2) | (7.1) | 0.4 | (12.7) |
| Increase (Decrease) in operating income | 14.8 | 0.9 | (7.1) | 0.4 | 9.0 |
| Operating income - 02 budget | 61.2 | 18.0 | 8.7 | (3.9) | 84.0 |

Consolidated

Amount Changes of Sales and Major Expenses etc.

(¥ Billions)

| | 2002 Budget | | 2001 Actual | | 2000 Actual | |
|---|----------------|--------|----------------|---------|----------------|-------|
| Sales volume (vs. prior year) | | | | | | |
| Alcoholic beverages | thousand KL | | thousand KL | | thousand KL | |
| Beer and <i>Happoshu</i> | 3,667 | 1.1% | 3,626 | (6.2%) | 3,863 | 31.4% |
| | million cases | | million cases | | million cases | |
| Soft drinks | 194 | 4.0% | 187 | 5.7% | 177 | 10.9% |
| Sales by business segments (vs.prior year) | | | | | | |
| Total | 1,600.0 | 2.4% | 1,561.8 | (1.2%) | 1,580.8 | 8.9% |
| Alcoholic beverages | 1,096.0 | 1.7% | 1,078.0 | (3.0%) | 1,111.8 | 4.1% |
| Beer and <i>Happoshu</i> | 1,018.0 | (0.9%) | 1,026.9 | (7.6%) | 1,111.8 | 4.1% |
| Whiskey, Spirits, wines and <i>Chu-hi</i> etc. | 78.0 | 52.7% | 51.0 | — | — | — |
| Soft drinks | 347.0 | 4.2% | 332.9 | 4.7% | 318.0 | 13.3% |
| Other business | 157.0 | 4.0% | 150.9 | 0.0% | 150.9 | 46.9% |
| Pharmaceutical | 49.0 | (0.1%) | 49.0 | 5.0% | 46.7 | 14.5% |
| Agribio | 18.0 | 38.5% | 12.9 | (15.7%) | 15.4 | 29.1% |
| Functional Foods | 13.0 | 19.3% | 10.8 | 46.7% | 7.4 | — |
| other | 77.0 | (1.2%) | 77.9 | (4.2%) | 81.3 | 62.8% |
| Sales promotion | } 190.0 | | 139.8 | | 115.6 | |
| Advertising | | | 61.2 | | 61.3 | |
| R&D | 28.0 | | 23.0 | | 21.4 | |
| Depreciation | 72.0 | | 73.5 | | 72.0 | |
| Financial profit, net | (6.0) | | (5.6) | | (1.8) | |
| Capital Expenditures | 77.0 | | 71.4 | | 93.8 | |
| Cash flows | (72.0) | | 79.9 | | (18.3) | |
| Operating activities | 111.0 | | 71.1 | | 93.7 | |
| Investing activities | (182.0) | | (12.1) | | (69.0) | |
| Financing activities | (1.0) | | 20.8 | | (43.6) | |

| |
|--------------|
| Consolidated |
|--------------|

Major Changes in Assets and Liabilities

(¥Billions)

| | 2001 Actual | 2000 Actual | Increase (Decrease) | Reference |
|--|-------------|-------------|------------------------|--|
| Cash | 143.5 | 50.5 | 93.0 | Due to issue of parent's bonds |
| Marketable securities | 12.2 | 136.1 | (123.9) | Reclassification of marketable securities to investment |
| Investments in securities | 263.0 | 141.9 | 121.1 | Increment on revaluation of securities as a result of adoption of new accounting policy on financial instruments |
| Bonds | 87.4 | 27.6 | 59.8 | Due to issue of parent's bonds |
| Net unrealized holding gains on securities | 19.3 | — | 19.3 | Effect on adoption of new accounting policy on financial instruments |

KIRIN BREWERY COMPANY, LIMITED

February 20, 2002

SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2001 (UNAUDITED)

(English Translation)

Fiscal year ended December 31, 2001

KIRIN BREWERY COMPANY, LIMITED

10-1, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan

| | |
|--|--|
| Code No.: | 2503 |
| Shares Listed: | Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, London, Paris, Zurich, Frankfurt |
| Interim dividend plan: | Yes |
| Minimum numbers of shares to have voting rights: | 1,000 shares |
| For further information, please contact: | Mr. Sumio Nagata, General Manager, Communications Dept. Telephone: 81- 3- 5540- 3450 from overseas |

Date of the Board of Directors' Meeting for the annual operation results: February 20, 2002

Date of regular shareholders' meeting: March 28, 2002

1. Business results and financial positions for the current fiscal year

(January 1, 2001 - December 31, 2001)

[Unit: Japanese yen (¥)]

(1) Results of operations: (Fractions less than ¥1 million have been omitted.)

| | Sales (¥ millions) | Percentage change (%) | Operating income (¥ millions) | Percentage change (%) | Income before special items (¥ millions) | Percentage change (%) |
|------------------------------|-----------------------|-----------------------------|-------------------------------------|-----------------------------|--|-----------------------------|
| Year ended December 31, 2001 | 1,028,403 | (3.6) | 34,965 | (36.5) | 44,580 | (33.8) |
| Year ended December 31, 2000 | 1,066,719 | (3.6) | 55,085 | (6.4) | 67,325 | 2.7 |

| | Net income (¥ millions) | Percentage change (%) | Net income per share primary (¥) | Net income per share diluted (¥) | Ratio of net income to shareholders' equity (%) | Ratio of ordinary income to total assets (%) | Ratio of ordinary income to sales (%) |
|------------------------------|----------------------------|-----------------------------|---|---|---|--|---|
| Year ended December 31, 2001 | 19,382 | (38.4) | 19.69 | — | 2.9 | 3.7 | 4.3 |
| Year ended December 31, 2000 | 31,484 | 2.5 | 31.73 | — | 4.9 | 5.7 | 6.3 |

Notes: ① Average number of shares of common stock outstanding during the year:

| | | |
|-------------------|---------|---------------------|
| December 31, 2001 | 984,485 | thousands of shares |
| December 31, 2000 | 992,351 | thousands of shares |

② Change in accounting policies: None

③ Percentage change is the ratio of increase or decrease in each item of business results for the year ended December 31, 2001, in comparison to these for the prior year.

(2) Dividends:

| | Dividend per share for the year (¥) | Interim dividend per share (¥) | Year-end dividend per share (¥) | Dividend paid for the year (¥ millions) | Dividend pay-out ratio (%) | Ratio of dividends to shareholders' equity (¥) |
|------------------------------|--|---|--|---|----------------------------------|---|
| Year ended December 31, 2001 | 12.00 | 6.00 | 6.00 | 11,813 | 60.9 | 1.7 |
| Year ended December 31, 2000 | 12.00 | 6.00 | 6.00 | 11,841 | 37.6 | 1.8 |

(3) Financial positions:

| | Total assets (¥ millions) | Shareholders' equity (¥ millions) | Ratio of shareholders' equity to total assets (%) | Shareholders' equity per share (¥) |
|-------------------|------------------------------|---|---|--|
| December 31, 2001 | 1,251,755 | 691,878 | 55.3 | 702.83 |
| December 31, 2000 | 1,175,289 | 665,439 | 56.6 | 675.91 |

Note: ①Number of shares of common stock issued and outstanding:

| | | |
|-------------------|---------|---------------------|
| December 31, 2001 | 984,417 | thousands of shares |
| December 31, 2000 | 984,508 | thousands of shares |

②Number of treasury stock held at year end

| | | |
|-------------------|--------|--------|
| December 31, 2001 | 90,516 | shares |
| December 31, 2000 | 3,715 | shares |

2. Forecast of business results for the next fiscal year (January 1, 2002-December 31, 2002)

| | Sales (¥ million) | Income before special items (¥ million) | Net income (¥ million) | Interim dividend per share (¥) | Year-end dividend per share (¥) | Dividend per share for the year (¥) |
|-------------------------------|----------------------|--|---------------------------|---|--|--|
| 6 months ending June 30, 2002 | 480,000 | 12,500 | 6,500 | 6.00 | — | — |
| Year ending December 31, 2002 | 1,050,000 | 51,000 | 25,000 | — | 6.00 | 12.00 |

Note: Forecasted net income per share ¥ 25.40

BALANCE SHEETS

(¥ millions)

| ASSETS | (Note) | At | Percentage over total assets | At | Percentage over total assets | Increase |
|--|--------|-------------------|------------------------------------|-------------------|------------------------------------|------------|
| | | December 31, 2001 | | December 31, 2000 | | (Decrease) |
| | | Amount | | Amount | | Amount |
| Current Assets | | | | | | |
| Cash | | 89,776 | | 16,373 | | 73,403 |
| Funds in trust | | — | | 36,909 | | (36,909) |
| Notes receivable | | 3,039 | | 4,254 | | (1,215) |
| Accounts receivable | | 183,536 | | 169,994 | | 13,542 |
| Marketable securities | | 7,562 | | 114,937 | | (107,375) |
| Treasury stock | | — | | 3 | | (3) |
| Merchandise | | 1,137 | | 200 | | 937 |
| Finished goods | | 4,917 | | 4,587 | | 330 |
| Semi-finished goods | | 7,948 | | 7,774 | | 174 |
| Raw materials | | 12,249 | | 14,280 | | (2,031) |
| Containers | | 3,850 | | 4,469 | | (619) |
| Supplies | | 831 | | 1,188 | | (357) |
| Advances | | 241 | | 212 | | 29 |
| Other accounts receivable | | 18,415 | | 18,765 | | (350) |
| Deferred income taxes | | 13,000 | | 10,077 | | 2,923 |
| Funds in trust | | 17,411 | | — | | 17,411 |
| Other | | 4,976 | | 3,520 | | 1,456 |
| Allowance for doubtful accounts | | (1,164) | | (912) | | (252) |
| Total current assets | | 367,733 | 29.4 | 406,636 | 34.6 | (38,903) |
| Fixed Assets | | | | | | |
| Property, Plant and Equipment | (*1) | | | | | |
| Buildings | (*2) | 126,131 | | 132,442 | | (6,311) |
| Structures | | 19,677 | | 19,783 | | (106) |
| Machinery and equipment | | 130,756 | | 112,006 | | 18,750 |
| Vehicles | | 535 | | 694 | | (159) |
| Tools | | 10,065 | | 9,961 | | 104 |
| Land | (*2) | 113,655 | | 114,644 | | (989) |
| Construction in progress | | 19,047 | | 34,325 | | (15,278) |
| Total | | 419,869 | 33.5 | 423,859 | 36.1 | (3,990) |
| Intangible Fixed Assets | | | | | | |
| Leasehold rights | | 661 | | 661 | | — |
| Utility rights | | 5,947 | | 6,506 | | (559) |
| Total | | 6,609 | 0.5 | 7,168 | 0.6 | (559) |
| Investments and Other Assets | | | | | | |
| Investments in securities | (*2) | 188,614 | | 57,681 | | 130,933 |
| Investments in subsidiaries and affiliates (capital stock) | | 164,592 | | 166,813 | | (2,221) |
| Other investments | | 1,634 | | 1,948 | | (314) |
| Investment in equity of subsidiaries and affiliates(other than capital stock) | | 8,184 | | 8,184 | | — |
| Long-term loans | | 2,862 | | 3,745 | | (883) |
| Long-term loans to employees | | 0 | | 4 | | (4) |
| Long-term loans to affiliates | | 2,550 | | 100 | | 2,450 |
| Life insurance investments | | 33,604 | | 32,191 | | 1,413 |
| Deposits paid | | 17,515 | | 17,823 | | (308) |
| Real estate in trust | | 7,324 | | 7,592 | | (268) |
| Deferred income taxes | | 29,546 | | 38,448 | | (8,902) |
| Other | | 3,873 | | 3,815 | | 58 |
| Allowance for doubtful accounts | | (2,759) | | (723) | | (2,036) |
| Total | | 457,543 | 36.6 | 337,626 | 28.7 | 119,917 |
| Total fixed assets | | 884,022 | 70.6 | 768,653 | 65.4 | 115,369 |
| TOTAL ASSETS | | 1,251,755 | 100.0 | 1,175,289 | 100.0 | 76,466 |

(¥ millions)

| LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY | (Note) | At December 31, 2001 Amount | Percentage over total assets | At December 31, 2000 Amount | Percentage over total assets | Increase (Decrease) Amount |
|---|--------|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|
| Current Liabilities | | | | | | |
| Notes payable | | 708 | | 1,753 | | (1,045) |
| Accounts payable | | 37,665 | | 29,581 | | 8,084 |
| Short-term bank loans | | 11,500 | | 6,000 | | 5,500 |
| Beer taxes payable | | 117,123 | | 121,471 | | (4,348) |
| Other accounts payable | | 18,182 | | 22,802 | | (4,620) |
| Consumption tax payable | | 7,506 | | 9,608 | | (2,102) |
| Income tax payable | | 11,749 | | 11,743 | | 6 |
| Accrued expenses | | 40,470 | | 46,879 | | (6,409) |
| Deposits received | | 62,889 | | 65,956 | | (3,067) |
| Deposits for containers received | | 1,792 | | 2,055 | | (263) |
| Other | | 6,180 | | 4,800 | | 1,380 |
| Total current liabilities | | 315,770 | 25.2 | 322,650 | 27.5 | (6,880) |
| Long-term Liabilities | | | | | | |
| Bonds | | 70,000 | | — | | 70,000 |
| Long-term debt | | 1,000 | | 7,000 | | (6,000) |
| Retirement and severance benefits | | — | | 78,849 | | (78,849) |
| Pension and retirement benefits | | 85,959 | | — | | 85,959 |
| Retirement benefits for directors and corporate auditors | | 1,581 | | 1,357 | | 224 |
| Reserve for loss on subsidiaries, affiliates and other investments | | — | | 432 | | (432) |
| Deposits received | (*2) | 76,090 | | 85,660 | | (9,570) |
| Other | | 9,476 | | 13,899 | | (4,423) |
| Total long-term liabilities | | 244,107 | 19.5 | 187,199 | 15.9 | 56,908 |
| TOTAL LIABILITIES | | 559,877 | 44.7 | 509,850 | 43.4 | 50,027 |
| Common Stock | (*4) | 102,045 | 8.2 | 102,045 | 8.7 | — |
| Additional Paid-In Capital | | 70,868 | 5.7 | 70,868 | 6.0 | — |
| Legal Reserve | | 25,511 | 2.0 | 25,511 | 2.2 | — |
| Retained Earnings: | | 474,416 | 37.9 | 467,013 | 39.7 | 7,403 |
| Voluntary Earned Surplus | | | | | | |
| Transfer to reserve for special depreciation | | 279 | | 219 | | 60 |
| Reserve for deferred gain on sale of property | | 14,047 | | 13,992 | | 55 |
| Reserve for dividends | | 6,450 | | 6,450 | | — |
| General reserve | | 389,367 | | 336,367 | | 53,000 |
| Unappropriated Retained Earnings | | 64,272 | | 109,982 | | (45,710) |
| Net unrealized holding gains on securities | | 19,122 | 1.5 | — | | 19,122 |
| Treasury Stock | | (86) | (0.0) | — | | (86) |
| TOTAL SHAREHOLDERS' EQUITY | | 691,878 | 55.3 | 665,439 | 56.6 | 26,439 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 1,251,755 | 100.0 | 1,175,289 | 100.0 | 76,466 |

STATEMENTS OF INCOME

(¥ millions)

| | (Note) | Year ended December 31, 2001 | | Year ended December 31, 2000 | | Increase (Decrease) |
|---|---------|---------------------------------|--------------------------|---------------------------------|--------------------------|------------------------|
| | | Amount | Percentage over sales | Amount | Percentage over sales | Amount |
| Sales | | 1,028,403 | 100.0 | 1,066,719 | 100.0 | (38,316) |
| Cost of Sales | | 730,267 | 71.0 | 758,480 | 71.1 | (28,213) |
| Gross Profit | | 298,136 | 29.0 | 308,238 | 28.9 | (10,102) |
| Selling, General and Administrative Expenses | (*1,*2) | 263,170 | 25.6 | 253,153 | 23.7 | 10,017 |
| Operating Income | | 34,965 | 3.4 | 55,085 | 5.2 | (20,120) |
| Non-operating Income | | | | | | |
| Interest income | | 643 | | 2,950 | | (2,307) |
| Security interest | | 375 | | 388 | | (13) |
| Return on funds in trust | | 558 | | — | | 558 |
| Dividend income | | 7,863 | | 7,802 | | 61 |
| Rent income | | 2,037 | | 3,019 | | (982) |
| Other | | 2,997 | | 4,519 | | (1,522) |
| Total | | 14,476 | 1.4 | 18,681 | 1.8 | (4,205) |
| Non-operating Expenses | | | | | | |
| Interest expense | | 1,306 | | 1,473 | | (167) |
| Interest on bonds | | 72 | | — | | 72 |
| Other | | 3,481 | | 4,968 | | (1,487) |
| Total | | 4,861 | 0.5 | 6,442 | 0.6 | (1,581) |
| Income before Special Items and Income Taxes | | 44,580 | 4.3 | 67,325 | 6.3 | (22,745) |
| Special Income | | | | | | |
| Gain on sales of fixed assets | (*3) | 2,667 | | 9,270 | | (6,603) |
| Reversal of provision for doubtful accounts | | 71 | | 103 | | (32) |
| Gain on sale of securities | | 9,959 | | — | | 9,959 |
| Gain on securities contributed to pension and retirement benefits trust | | 4,599 | | — | | 4,599 |
| Reversal of provision for loss reserve on subsidiaries affiliates and other investments | | — | | 283 | | (283) |
| Total | | 17,298 | 1.7 | 9,658 | 0.9 | 7,640 |
| Special Expenses | | | | | | |
| Loss on disposal of fixed assets | (*4) | 4,422 | | 5,537 | | (1,115) |
| Loss on sale of fixed assets | (*5) | 86 | | 93 | | (7) |
| Write-down of investment in securities | | 3,041 | | — | | 3,041 |
| Loss on sale of securities | | 1,299 | | — | | 1,299 |
| Write-down of investment in subsidiaries and affiliates | | 3,514 | | 1,257 | | 2,257 |
| Loss on devaluation of golf club membership | (*6) | 1,991 | | — | | 1,991 |
| Amortization of net transition obligation of accounting standard for severance and pension benefits | | 13,464 | | — | | 13,464 |
| Plant restructuring cost | (*7) | — | | 15,322 | | (15,322) |
| Total | | 27,820 | 2.7 | 22,210 | 2.1 | 5,610 |
| Income before Income Taxes | | 34,058 | 3.3 | 54,772 | 5.1 | (20,714) |
| Income Taxes (Current) | | 22,600 | | 23,900 | | (1,300) |
| Income Taxes (Deferred) | | (7,924) | 1.4 | (612) | 2.2 | (7,312) |
| Net Income | | 19,382 | 1.9 | 31,484 | 3.0 | (12,102) |
| Retained earnings brought forward from the prior fiscal year | | 50,796 | | 50,734 | | 62 |
| Cumulative effect of changes in accounting for income taxes | | — | | 47,914 | | (47,914) |
| Reversal of reserve for extraordinary depreciation due to the adoption of income tax effect accounting | | — | | 159 | | (159) |
| Reversal of reserve for deferred gain on sale of property due to the adoption of income tax effect accounting | | — | | 10,174 | | (10,174) |
| Dividends (interim) | | 5,907 | | 5,934 | | (27) |
| Transfer to legal reserve (interim) | | — | | 162 | | (162) |
| Purchase and retirement of common stocks | | — | | 24,387 | | (24,387) |
| Unappropriated retained earnings | | 64,272 | | 109,982 | | (45,710) |

STATEMENTS OF RETAINED EARNINGS

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|---|---------------------------------|---------------------------------|
| Unappropriated retained earnings | 64,272 | 109,982 |
| Transfer from reserve for special depreciation | 72 | 85 |
| Transfer from reserve for deferred gain on sale of property | 395 | 448 |
| Total | 64,740 | 110,516 |
| Appropriations: | | |
| Dividends | 5,906 | 5,907 |
| Bonuses paid to directors' and corporate auditors | 92 | 165 |
| (corporate auditors' portion included above) | 10 | 17) |
| Voluntary earned surplus | | |
| Transfer to reserve for special depreciation | 10 | 145 |
| Transfer to reserve for deferred gain on sale of property | 980 | 502 |
| Transfer to general reserve | 17,000 | 53,000 |
| Retained earnings to be carried forward to the next fiscal year | 40,750 | 50,796 |

Note 1: Interim dividends of ¥ 5,907,003,444 (¥6 per share) was paid on September 12, 2001.

Note 2: Transfer from/to reserve for special depreciation, transfer from/to reserve for deferred gain on sale of property, are pursuant to the Special Taxation Measures Law.

SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of securities

Equity securities issued by subsidiaries and affiliated companies are valued at lower of moving average cost or market. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholder's equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

2. Valuation of Inventories

Merchandise, finished goods and semi-finished goods are mainly stated at cost determined by the average method. Raw materials and supplies are mainly stated at cost determined by the moving average method.

3. Valuation of funds in trust

Fair value

4. Valuation of derivative financial instruments

Fair value

5. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated on the declining balance method, except for buildings (excluding buildings fixtures) acquired on and after April 1, 1998, where depreciation is calculated on the straight-line method. Estimated useful life for property, plant and equipments are determined based on the Corporate Income Tax Law in Japan.

6. Amortization of intangible fixed assets

The straight-line method

Estimated useful life for property, plant and equipments are determined based on the Corporate Income Tax Law in Japan.

7. Accounting for deferred charges

Cost of issuing bonds are expensed as incurred.

8. Allowance for doubtful accounts

The Company provides sufficient allowance for doubtful accounts to cover possible losses on collection by estimating uncollectible amounts for individual accounts.

9. Pension and retirement benefits

The Company provides allowance for Pension and retirement benefits at December 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the date. The estimated net transition obligation for the year ended December 31, 2001 of ¥13,464million, is recognized as special expense for the current year.

Actuarial differences are amortized by the straight-line method over the average estimated service period, which is 15 years, beginning from the next fiscal year.

10. Retirement benefits for directors and corporate auditors

Provision for retirement benefits for directors and corporate auditors represents 100% of such retirement benefit obligations calculated in accordance with policies of the Company.

11. Leases

Finance leases, except for those leases which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

12. Hedge accounting

Where certain hedging criteria are met, the Company defers the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments until the related losses or gains on the hedging items are recognized.

For forward foreign exchange contracts used for hedging purposes, the foreign currency receivables or payables are recorded at the contracted forward rates. In addition, for interest rate swap contracts meeting hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added or to be deducted from the interest on the assets or liabilities.

The Company use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables and payables from operation and interest rate increases with respect to borrowings, within the amounts of foreign currency borrowings or receivables.

The following summarizes hedging derivative financial instruments used by the Company and items hedged:

Hedging items

Foreign currency trade receivables and trade payables
Loans receivable and payable

Hedged instruments

Foreign currency forward contracts etc.
Interest rate swap contracts etc.

The Company evaluate the effectiveness of hedge semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

13. Consumption tax

Consumption tax is excluded from the accounts which are subject to such tax.

ADDITIONAL INFORMATION:

(Pension and retirement benefits)

Effective January 1, 2001, the Company adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998. As a result of the adoption of the new accounting standard, in the year ended December 31, 2001, pension and retirement benefit expenses increased by ¥ 6,307million, operating income increased by ¥ 7,131million and income before income taxes decreased by ¥ 1,733million compared with what would have been recorded under the previous accounting standard. The amortization of net transition obligation of ¥ 13,464million is recorded as special expense, and gain on securities contributed to pension and retirement benefits trust of ¥ 4,599million are recorded as special income.

Provision for retirement benefits recorded in the previous year under the previous accounting standard, and payable for prior service cost are included in pension and retirement benefits.

(Securities)

Effective January 1, 2001, the Company adopted the new accounting standard for financial instruments, "Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999. As a result of adopting the new accounting standard for financial instruments, operating income and income before income taxes increased by ¥ 4,004million. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on January 1, 2001, securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at December 31, 2001, securities in current assets decreased by ¥ 108,937million and investment securities increased by the same amount compared with what would have been recorded under the previous accounting standard. Also as a result of the adoption, return on funds in trust, which was included in interest income in the prior year, is separately disclosed in the statement of operation for the year ended December 31, 2001.

The amounts of return on funds in trust for the year ended December 31, 2000 were ¥ 1,907million.

(Foreign currency translation)

Effective January 1, 2001, the Company adopted the revised accounting standard for foreign currency translation, "Opinion on Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999. There is no impact on the reported result of operation, as a result of adopting the revised accounting standard.

(Treasury stock)

Treasury stock has been reclassified from current assets and are included in the stockholders' equity section. The amount of treasury stock in the previous fiscal year was ¥ 3million.

NOTES TO:

(NON-CONSOLIDATED BALANCE SHEETS)

1 Accumulated depreciation (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--------------------------|-------------------------|-------------------------|
| Accumulated depreciation | 505,799 | 488,495 |

2 Detail of Collateral

(1) Collateral (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---------------------------|-------------------------|-------------------------|
| Buildings | 1,118 | 1,214 |
| Land | 439 | 439 |
| Investments in securities | 33 | 29 |

(2) Secured borrowing (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---------------------------------|-------------------------|-------------------------|
| Deposits received | 2,296 | 2,296 |
| Postage charge (facility limit) | 29 | 29 |

3 Receivables from and payables to subsidiaries and affiliates (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Accounts payables and accrued expenses | 26,191 | 21,272 |

4 Shares authorized and issued (shares)

| | At December 31, 2001 | At December 31, 2000 |
|----------------------------|-------------------------|-------------------------|
| Number of stock authorized | 1,732,026,000 | 1,732,026,000 |
| Number of stock issued | 984,508,387 | 984,508,387 |

Note: Number of stock issued for the current fiscal year includes 90,516 shares of treasury stock.

5 Contingent liabilities

(1) Guarantees for unconsolidated subsidiaries and affiliated companies

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---|-------------------------|-------------------------|
| Kirin Lease Co., Ltd. | 10,046 | 13,320 |
| Marinenet Co., Ltd. | 3,675 | 1,307 |
| Kirin International Trading Co., Ltd. | 2,050 | 2,050 |
| Koiwai Dairy Products Co., Ltd. | 1,650 | 1,600 |
| Yokohama Arena Co., Ltd. | 890 | 1,206 |
| Kirin Brewery of America LLC | 1,240 | — |
| Kirin International Finance (Netherlands) B. V. | — | 10,000 |
| Other | 3,586 | 4,156 |
| (Amounts in foreign currencies included above) | 3,894 | 2,890 |
| | USD 18,900't | USD 20,105't |
| | NLG 2,000't | NLG 11,000't |
| | EUR 3,780't | ESP 80,000't |
| | NTD 226,810't | |
| Number | 11 | 15 |

(2) Guarantees for employee's housing loan from banks

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| | 13,378 | 13,604 |

(3) Guarantees for bank loans of customers

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Amounts | 414 | 434 |
| (Number of customers) | (3) | (3) |
| Total contingent liabilities | 36,931 | 47,678 |
| (Including agreements similar to contingent liabilities) | 9,100 | 23,270 |

(NON-CONSOLIDATED STATEMENTS OF INCOME)

1 Major elements of selling, general and administrative expenses

(¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|--|---------------------------------|---------------------------------|
| Sales promotion | 76,480 | 57,929 |
| Freight | 24,688 | 26,907 |
| Advertising | 38,871 | 39,190 |
| Payroll | 38,372 | 38,292 |
| Retirement and severance benefits | — | 8,265 |
| Pension and retirement benefit costs | 6,230 | — |
| Expense for retirement benefits for directors and corporate auditors | 404 | 352 |
| Welfare | 9,048 | 11,859 |
| Depreciation | 3,652 | 3,884 |
| Research and development | 22,122 | 20,187 |
| Doubtful accounts expense | 367 | 476 |
| Percentage of selling expense over selling, general and administrative expense | 75% | 73% |

2 Research and development expenses included in selling, general and administrative expenses and cost of sales (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|--|---------------------------------|---------------------------------|
| Total research and development expense | 22,122 | 20,187 |

3 Gain on sales of fixed assets (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------|---------------------------------|---------------------------------|
| Land | 2,665 | 9,264 |
| Other | 1 | 6 |
| Total | 2,667 | 9,270 |

4 Loss on disposal of fixed assets (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------------------------|---------------------------------|---------------------------------|
| Buildings | 1,838 | 1,796 |
| Machinery and equipment | 2,171 | 3,216 |
| Other | 412 | 524 |
| Total | 4,422 | 5,537 |

5 Loss on sales of fixed assets (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------|---------------------------------|---------------------------------|
| Land | 17 | 91 |
| Other | 68 | 2 |
| Total | 86 | 93 |

6 Loss on revaluation of golf club membership

All amounts of Loss on revaluation of golf club membership are recorded as allowance for doubtful accounts for 2001.

7 Loss related to restructuring of plants (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------------------------------------|---------------------------------|---------------------------------|
| Loss on disposal of fixed assets | — | 7,597 |
| Expense for removal of fixed assets | — | 5,370 |
| Retrenchment cost | — | 2,354 |
| Total | — | 15,322 |

8 Matters related to subsidiaries and affiliates (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------------------------------|---------------------------------|---------------------------------|
| Dividends received | 6,018 | 5,240 |
| Gain on sales of fixed assets | 0 | 1,051 |

(LEASE TRANSACTIONS)

Finance lease transactions without ownership transfer to lessee

(1) Purchase price equivalents, accumulated depreciation equivalents and book value equivalents of leased properties (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|-------------------------------------|-------------------------|-------------------------|
| Structures | | |
| Purchase price equivalent | 7 | 7 |
| Accumulated depreciation equivalent | 5 | 3 |
| Book value equivalent | 2 | 3 |
| Machinery and equipment | | |
| Purchase price equivalent | 180 | 185 |
| Accumulated depreciation equivalent | 57 | 43 |
| Book value equivalent | 123 | 142 |
| Vehicles | | |
| Purchase price equivalent | 13 | 5 |
| Accumulated depreciation equivalent | 7 | 2 |
| Book value equivalent | 5 | 3 |
| Tools | | |
| Purchase price equivalent | 7,678 | 8,863 |
| Accumulated depreciation equivalent | 3,887 | 4,048 |
| Book value equivalent | 3,791 | 4,814 |
| Total | | |
| Purchase price equivalent | 7,880 | 9,061 |
| Accumulated depreciation equivalent | 3,957 | 4,097 |
| Book value equivalent | 3,922 | 4,964 |

(2) Lease commitments (¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|---------------------|-------------------------|-------------------------|
| Due within one year | 1,670 | 2,247 |
| Due after one year | 2,417 | 2,973 |
| Total | 4,088 | 5,220 |

(3) Lease payments, depreciation equivalents and interest equivalents (¥ millions)

| | Year ended December 31, 2001 | Year ended December 31, 2000 |
|-------------------------|---------------------------------|---------------------------------|
| Lease payments | 2,602 | 3,040 |
| Depreciation equivalent | 2,300 | 1,801 |
| Interest equivalent | 255 | 228 |

(4) Method of depreciation equivalent

Depreciation equivalent is computed on a straight-line method over the lease period without residual value.

(5) Allocation of interest equivalent

Differences between total lease expenses and acquisition costs of the leased properties comprise interest expenses and insurance, maintenance and certain other operating costs.

Interest expenses are allocated using interest method over the terms of leases.

Operating lease transactions

| Lease commitments | At December 31, 2001 | At December 31, 2000 |
|---------------------|-------------------------|-------------------------|
| | | |
| Due within one year | 145 | 107 |
| Due after one year | 529 | 453 |
| Total | 677 | 560 |

(Securities)

Information on securities, except for those presented below, for current and prior periods are presented with the consolidated interim financial statements

(Reference : financial statements at December 31, 2001)

Investment in subsidiaries and affiliates with market values

(¥ millions)

| | Book value | Market value | Difference |
|----------------------------|------------|--------------|------------|
| Investment in subsidiaries | 101,754 | 144,760 | 43,005 |
| Investment in affiliates | 12,536 | 29,198 | 16,661 |

(Deferred income taxes)

1. Significant components of deferred tax assets and liabilities

(¥ millions)

| | At December 31, 2001 | At December 31, 2000 |
|--|-------------------------|-------------------------|
| Deferred tax assets | | |
| Retirement and severance benefits | — | 25,731 |
| Pension and retirement benefits | 31,483 | — |
| Deferred charges | 8,695 | 8,333 |
| Depreciation | 6,592 | 6,723 |
| Other | 22,413 | 18,156 |
| Total deferred tax assets | 69,185 | 58,943 |
| Deferred tax liabilities | | |
| Net unrealized holding gains on securities | (13,903) | — |
| Reserve for deferred gains on sales of fixed assets for tax purposes | (10,638) | (10,213) |
| Other | (2,095) | (203) |
| Total deferred tax liabilities | (26,638) | (10,417) |
| Net deferred tax assets | 42,546 | 48,526 |

2. As the difference between the statutory tax rate and the effective tax rate is less than 5%, the disclosure for reasons for the differences are omitted.

FINANCIAL RESULTS
for
THE YEAR
ended
DEC. 31, 2001

SUPPLEMENTARY COMMENTS

KIRIN BREWERY COMPANY, LIMITED

FEB. 20, 2002

2001 Actual:Parent

PROFIT CHANGE FROM PRIOR YEAR

(¥ Billions)

| Item | 01Actual | 00Actual | Difference | Reference |
|--|----------|----------|------------|---|
| <i>Sales</i> | 1,028.4 | 1,066.7 | (38.3) | |
| Decrease in labor cost | | | 13.9 | |
| Decrease in beer and Happosyu ingredient cost | | | 1.9 | Decrease of new bottles: 1.2 Decrease of can costs: 0.5 |
| Increase in depreciation | | | (1.5) | |
| Increase in fixed cost at breweries | | | (1.5) | Out-sourcing of plant maintenance: (0.6) |
| Increase in beer and Happosyu material cost | | | (2.1) | Malt (1.5) |
| Decrease in alcoholic beverages business profit | | | (10.4) | Decrease in beer business marginal profit: (26.1) Increase in happoshu business marginal profit: 6.0 Increase in whisky, spirits, wine business profit etc. |
| Increase in selling cost | | | (17.1) | Sales promotion cost: (18.5), Advertising: 0.3 Transportation: 1.1 |
| Other | | | (3.4) | Increase of R&D: (2) (20.1→22.1), etc. |
| <i>Decrease in Operating Income</i> | 34.9 | 55.1 | (20.2) | |
| Decrease in other non- operating income, net | | | (1.0) | Write-back of loss on revaluation of marketable securities:(1.9) |
| <i>Financial profit, net</i> | | | (1.6) | 9.6→8.0 |
| <i>Decrease in Income Before Special Items</i> | 44.5 | 67.3 | (22.8) | |
| Income taxes, etc | | | 8.7 | |
| Decrease in special expenses, net | | | 1.9 | Impact of adoption of new accounting standards for severance and pension benefits, etc. |
| <i>Decrease in Net Income</i> | 19.3 | 31.5 | (12.2) | |

2002 Budget:Parent

PROFIT CHANGE FROM CURRENT YEAR

(¥ Billions)

| Item | 02Budget | 01Actual | Difference | Reference |
|---|----------|----------|------------|--|
| <i>Sales</i> | 1,050.0 | 1,028.4 | 21.6 | |
| Decrease in selling cost | | | 14.3 | Sales promotion and advertising cost : 14.2 |
| Increase in alcoholic beverages business profit | | | 9.2 | Decrease in beer business marginal profit: (10.2) Increase in happoshu business marginal profit: 10.5 Increase in Hyoketsu Kaju marginal profit: 9.8 |
| Decrease in beer and Happosyu ingredient cost | | | 0.5 | Decrease of can costs: 0.9, etc. |
| Increase in beer and Happosyu material cost | | | (0.4) | Malt: (1.6) |
| Increase in beer fixed cost at breweries | | | (0.4) | |
| Increase in depreciation | | | (0.5) | 37.6→38.1 |
| Increase in labor cost | | | (3.7) | 78.5→82.2 Amortization of actuarial difference: (2.7) |
| Other | | | (10.9) | R&D: (4.6), PR: (0.8), etc. |
| <i>Increase in Operating Income</i> | 43.0 | 34.9 | 8.1 | |
| Decrease in other non-operating income, net | | | (0.4) | |
| Financial profit, net | | | (1.2) | |
| <i>Increase in Income Before Special Items</i> | 51.0 | 44.5 | 6.5 | |
| Increase in special income, net | | | 4.3 | Impact of adoption of new accounting standards for severance and pension benefits, etc. |
| Income taxes, etc | | | (5.1) | |
| <i>Increase in Net Income</i> | 25.0 | 19.3 | 5.7 | |

Parent

Amount Changes of Sales and Major Expenses etc.

(¥ Billions)

| | 2002 Budget | | 2001 Actual | | 2000 Actual | |
|--|----------------|--------|----------------|---------|----------------|---------|
| Alcoholic beverages business sales volume (thousand KL, vs. prior year) | | | | | | |
| Total of beer business | 2,564 | 0.1% | 2,562 | (6.6%) | 2,743 | (4.3%) |
| Beer | 1,580 | (5.4%) | 1,670 | (12.3%) | 1,905 | (10.0%) |
| Happoshu | 984 | 10.3% | 891 | 6.4% | 837 | 11.8% |
| Chu-hi etc. | 161 | 241.0% | 47 | — | — | — |
| Case sales by major brands (million cases, vs. prior year) | | | | | | |
| LAGER | 64.70 | (8.6%) | 70.80 | (15.4%) | 83.70 | (15.8%) |
| ICHIBAN SHIBORI | 54.90 | 0.4% | 54.70 | (4.2%) | 57.10 | (0.7%) |
| TANREI | 71.10 | 6.3% | 66.90 | 1.4% | 66.00 | 11.7% |
| Hyoketsu-Kaju (250ml×24can) | 25.00 | 309.8% | 6.10 | — | — | — |
| Sales by major segments (vs. prior year) | 1,050.00 | 2.1% | 1,028.40 | (3.6%) | 1,066.70 | (3.6%) |
| Total of Alcoholic beverages | 994.0 | 2.2% | 972.4 | (3.6%) | 1,008.8 | (4.9%) |
| Beer and Happoshu | 920.0 | (0.9%) | 928.7 | (7.9%) | 1,008.8 | (4.9%) |
| Beer | 635.0 | (5.5%) | 671.6 | (12.5%) | 767.3 | (9.2%) |
| Happoshu | 285.0 | 10.9% | 257.0 | 6.5% | 241.4 | 12.0% |
| Whiskey, Spirits and wines etc. (*) | 32.0 | 1.2% | 31.6 | — | — | — |
| Chu-hi etc. | 42.0 | 247.2% | 12.0 | — | — | — |
| Pharmaceuticals | 47.0 | 0.0% | 47.0 | 4.6% | 44.9 | 10.1% |
| Other | 9.0 | 0.2% | 8.9 | (30.6%) | 12.9 | 230.5% |
| Sales Promotion | } | 101.0 | 76.4 | | 57.9 | |
| Advertising | | | 38.8 | | 39.1 | |
| R&D | | | 22.1 | | 20.1 | |
| Labor Cost | | | 78.5 | | 92.4 | |
| Depreciation | | | 37.6 | | 36.1 | |
| Financial profit, net | | 6.8 | 8.0 | | 9.6 | |
| Number of Employees (Including the secondees from group companies) | | 6,300 | 6,540 | | 6,502 | |
| Capital Expenditures | | 34.0 | 44.2 | | 51.6 | |
| (Major Items) | | | | | | |
| Expansion of facilities at Tochigi plant | | — | 13.1 | | 4.6 | |
| Renewal of Okayama plant | | 8.4 | 7.4 | | 10.0 | |
| Renewal of Toride plant | | 2.6 | 4.2 | | 7.8 | |
| Expansion of facilities at Shiga plant | | — | 2.0 | | — | |

* Note: Including TWO DOGS

Parent

Major Changes in Assets and Liabilities

(¥Billions)

| | 2001 Actual | 2000 Actual | Increase (Decrease) | Reference |
|--|-------------|-------------|------------------------|--|
| Cash | 89.7 | 16.3 | 73.4 | Due to issue of bonds |
| Marketable securities | 7.5 | 114.9 | (107.4) | Reclassification of marketable securities to investment |
| Investments in securities | 188.6 | 57.6 | 131.0 | Increment on revaluation of securities as a result of adoption of new accounting policy on financial instruments |
| Bonds | 70.0 | — | 70.0 | Due to issue of bonds |
| Net unrealized holding gains on securities | 19.1 | — | 19.1 | Effect on adoption of new accounting policy on financial instruments |